ANNUAL REPORT 2017

20 YEARS OF POWERING THE NATION

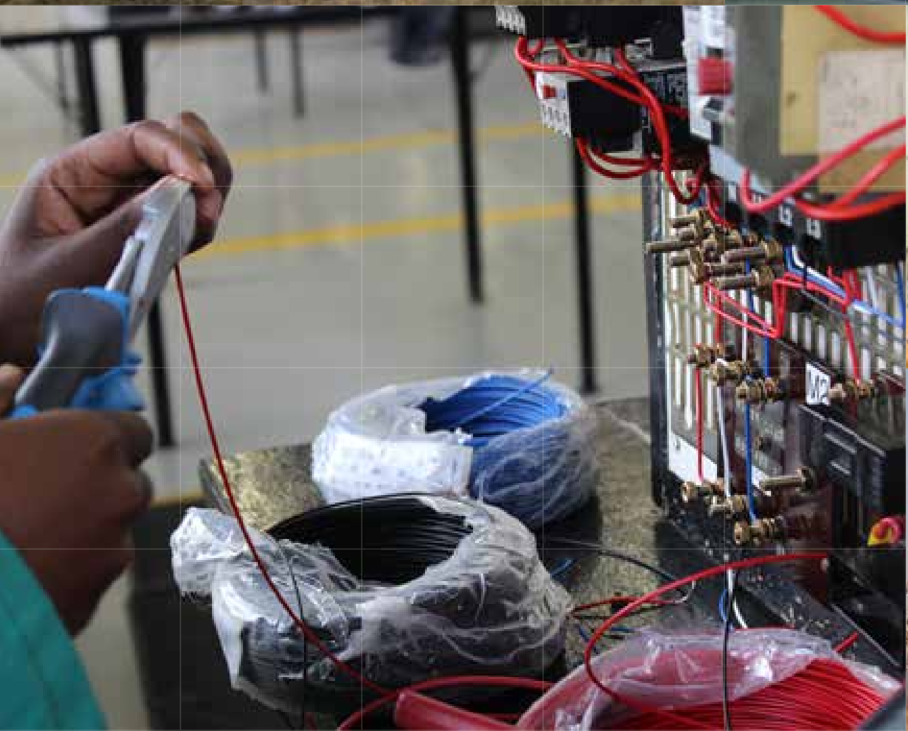
NamPower

Powering the Nation and beyond
















CONTENTS

ACRONYMS

AMD........ Asset Maintenance Division
BMI.......... Body Mass Index
CAPEX ... Capital Expenditure Budget
CSP .... Concentrated Solar Power
DAM........ Day Ahead Market
DNI.......... Direct Normal Irradiance
DSCR...... Debt Service Coverage Ratio
DSM........ Demand Side Management
DSN......... Disability Sport Namibia
EBITDA... Earnings Before Interest, Tax, Depreciation and Amortisation
ECB .... Electricity Control Board
EDM .... Electricidade de Mozambique
eDRM ..... Electronic Documents and Records Management
EIA........... Environmental Impact Assessment
EIB........... European Investment Bank
EIS .... Environmental Information Service
EMP......... Environmental Management Plan
EPC .... Engineering, Procurement, Construction
ERM......... Environmental Resource Management
ESM......... Environmental Sound Management
ETD .... Education, Training and Development
FSA .... Fuel Supply Agreement
GHI.......... Global Horizontal Irradiance
GX............Generation
HIRA........ Hazard Identification and Risk Assessment
HPP .... Harambee Prosperity Plan
HVDC..... High Voltage Direct Current
ICDL........ International Computer Driver's Licence
IPP........... Independent Power Producer
KPA.......... Key Performance Area
KPI........... Key Performance Indicator
kV .... Kilovolt
LTIFR....... Lost Time Injury Frequency Rate
MET......... Ministry of Environment and Tourism
MME........ Ministry of Mines and Energy
MoHSS... Ministry of Health and Social Services
MW.......... Mega Watts
NAMAF .. Namibian Association of Medical Aid Funds
NDP......... National Development Plan
NEEEP.... NamPower Equitable Economic Empowerment Policy
NIRP........ National Integrated Resource Plan
NMD........ Notified Maximum Demand
NNF......... Namibia Nature Foundation
NTA .... Namibia Training Authority
OPEX...... Operating Expenditure Budget
PCBs....... Polychlorinated Biphenyls
PDN......... Previously Disadvantaged Namibians
PDPs....... Personal Development Plans
PDR......... Plan-Do-Review
PIV........... Penstock Inlet Valve
PJTC........ Permanent Joint Technical Commission
PM .... Performance Management
POP......... Persistent Organic Pollutants
PPA.......... Power Purchase Agreement
PSA .... Power Supply Agreement
PSC .... Power Systems Constructions
PTM&C... Protection, Telecommunication, Metering and Control
PV............ Photovoltaic
REDs....... Regional Electricity Distributors
REFIT...... Renewable Energy Feed-In Tariff
RMC........ Records Management Compliance
SADC...... Southern African Development Community
SAPP....... Southern African Power Pool
SHEW..... Safety Health Environment and Wellness
SSP.......... System Security Planning
WAN........ Wide Area Network
ZESCO... Zambia Electricity Supply Corporation
ZPC .... Zimbabwe Power Corporation

HIGH LEVEL STATEMENTS

VISION

To be a leading energy company in Africa, which excels in customer service, people development and technological innovation.

MISSION

To provide for the energy needs of our customers, fulfil the aspirations of our staff and satisfy the expectations of our stakeholders.

Our Mandate

NamPower's mandate is to generate, transmit, supply and trade in electricity and, to a limited extent, distribute electricity.

VALUES

NamPower's values express an aspiration to achieve high ethical standards in its operations, to build a culture of teamwork that will bring out the best in each individual, to focus on serving its customers, and to place priority on the safety of staff and the public at all times.

Integrity

We will be honest in everything we do and are determined to adhere to ethical business principles and good corporate governance at all times.

Teamwork

NamPower consists of people with diverse skills and different levels of knowledge and experience. We value everyone's contribution to our collective effort as we strive to work together for the good of the company and the country.

Accountability

We accept responsibility for our respective roles and pledge to conduct ourselves in a manner that is consistent with the positions entrusted to us.

Empowerment

Every employee has the opportunity to be trained and developed, and to apply that knowledge in the workplace. We welcome feedback from all stakeholders and seek to learn from all situations.

Health, Safety and Environment

We will create and uphold a safe working environment in all our activities. We shall respect our environment in all our dealings and protect both the physical and human environment at all times.

Customer Focus

We value our customers and commit to serving them timeously and diligently with customer service and satisfaction as our focus and our aim.

OUR BUSINESS MODEL

GENERATION

ENERGY TRADING

TRANSMISSION

RENEWABLE GENERATION

Water/Hydro

Solar

Wind

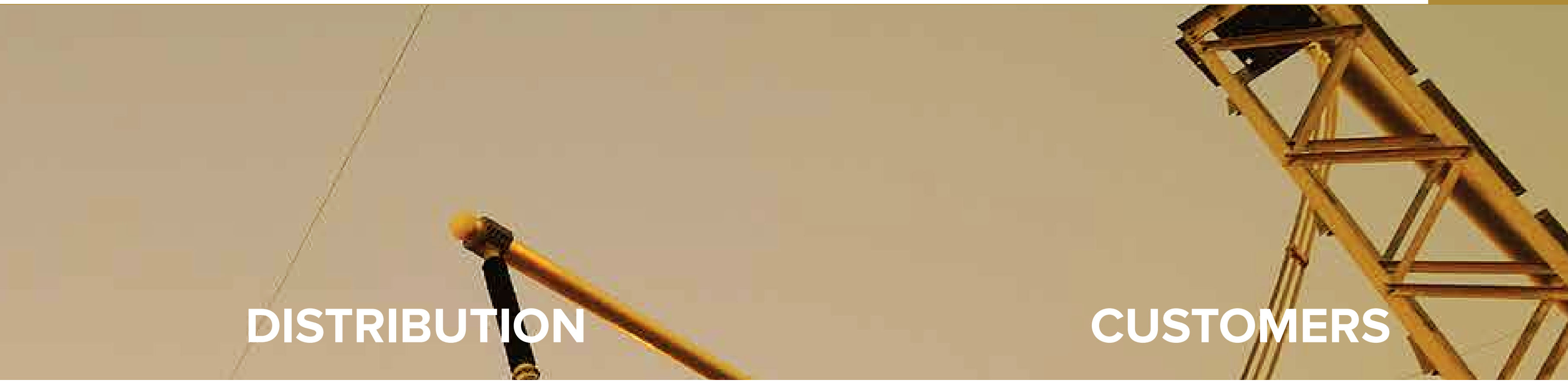
Diesel/HFO

Thermal

Imports

NON-RENEWABLE GENERATION

Overview of



DISTRIBUTION

CUSTOMERS

REDs/Municipalities

Mining

NamWater

Hospitals
Industries
Farms
Schools
Residential/Commercial

our Business

OUR STAKEHOLDERS

Our Stakeholders

The NamPower Corporate Strategy and Business Plan emphasises the understanding of the needs of our stakeholders as a prerequisite to effective stakeholder relationship management and positive image building. In order to remain abreast of current opinions in terms of whether NamPower is meeting its intended mandate and strategic objectives, satisfying its customers and enjoying a good reputation, among others, the company commissions an external stakeholder perception survey (every second year) through an open tender process, to gauge the opinions of its various stakeholders. Leadership at national level, large and small customers, the general public, suppliers and opinion leaders are sampled during the survey. Results from the study give the company an idea about perceptions held by its stakeholders. Feedback from the survey is then used to put in place interventions that will help in sustaining/improving stakeholder relations and upholding our corporate image.

INDUSTRY
Associations and industry experts

EMPLOYEES
Employees, Exco, Board

REGULATOR
Electricity Control Board (ECB)

MEDIA
Namibian, African and International

ORGANISED LABOUR
Representative Union body

BUSINESS
Financial Institutions, Investors (local and international), Namibia Chamber of Commerce and Industry

GOVERNMENT
Public Enterprises, Ministry of Mines and Energy, Ministry of Finance, Ministry of Environment and Tourism, Ministry of Trade and Industry, Ministry of Labour, Ministry of State-Owned Enterprises, Other Government Ministries and Agencies

INTERNATIONAL/ REGIONAL RELATIONS
Multilateral institutions, Donor funding agencies, Cooperation agreements, Southern African Power Pool (SAPP)

SUPPLIERS
Capacity expansion suppliers, fuel suppliers, original equipment manufacturers, other suppliers of goods and services, Independent Power Producers (IPPs)

KEY CUSTOMERS
Industrial, mining, commercial, REDs, municipalities, town councils, farmers (where no REDs operate), NamWater

CIVIL SOCIETY
NGOs, Namibia Nature Foundation, Universities, Technicons, Research Institutions, General public

OUR OPERATING ENVIRONMENT

OUR OPERATING ENVIRONMENT

Namibia's Electricity Supply Industry

The Electricity Supply Industry (ESI) consists of generation, transmission and distribution as well as the importing and exporting of electricity.

The ESI's main role players are the Ministry of Mines and Energy (MME) as custodian of Namibia's energy sector; the Electricity Control Board (ECB) as regulator of the ESI; Namibia's electricity utility (NamPower); the Regional Electricity Distributors (REDs), and some municipalities as the country's distribution licensees across the country. A number of Independent Power Producers (IPPs) have recently come on board as generators of renewable energy.

NamPower is the direct supplier of electricity to the REDs and other redistributors such as large mines, some municipalities and end-users who are located outside the licensed area of local authorities and REDs.

NamPower also fulfils the role of system operator and trader, which includes the important function of balancing the supply of electricity to the prevailing demand. In addition, it is the contracted party for imports of electricity from power utilities in the SADC region.

NamPower is a shareholder in the REDs, which shareholding is based on the distribution assets and customers that it contributed to the REDs when they were formed, and its shareholding varies between 45% in the case of CENORED, to 10% in the case of Erongo RED.

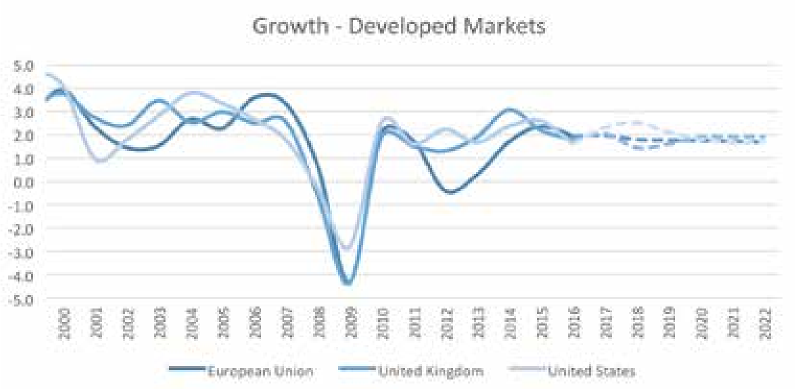
ECONOMIC OVERVIEW

Global Economic Overview

After many years of slow recovery, the global economy recorded growth of 3.2% in 2016, which is the lowest growth rate since 2009 according to the International Monetary Fund (IMF). However, some green shoots have started to appear and growth is expected to accelerate in coming years. The IMF expects global GDP growth to rise to 3.6% in 2017 and 3.7% in 2018. Global demand is gaining momentum as confidence indicators such as industrial production, employment and global trade indices are improving in most markets.

Developed Markets

Growth in developed markets is expected to increase to around 2.2% over the next two years. Projected growth has been revised upwards for most developed economies, reflecting an increase in both investment and overall confidence.



Source: IMF WEO April 2017

In developed markets, the improved outlook is mainly attributable to higher projected growth in the United States, which set a low base in 2016 as a result of low levels of investment and drawdowns in inventory. GDP growth is expected to accelerate from the 1.5% witnessed in 2016 to 2.2% in 2017 and 2.3% in 2018. Since the election of President Donald Trump in November 2016, confidence has been revitalised by expectations of increased infrastructure spending and lowering of taxes, which has led to a stronger US Dollar, higher inflation and higher treasury rates.

The outlook for Europe has also improved as a cyclical recovery in manufacturing and trade starts to filter its way through to growth. The Euro Area is expected to record GDP growth of 2.1% in 2017 and 1.9% in 2018. Growth remained stable in the United Kingdom, which proved to be more resilient than expected in the aftermath of the Brexit Referendum.

Emerging Markets

Overall the prospects for growth in emerging markets have been revised slightly downward. However, economic performance across emerging markets remains very mixed. While China's growth remains elevated, boosted by ongoing monetary and fiscal stimulus, other economies such as that of India have started to slow and Brazil finds itself in a deep recession.

Source: IMF WEO April 2017, *IJG Forecasts

A rebound in commodity prices has boosted growth in many emerging economies while reducing some of the deflationary pressures globally. The resumption of growth in the major commodity-producing economies accounts for much of the expected growth over the next three years.

Growth in South Africa is expected to continue to be subdued at 0.7% in 2017 and 1.1% in 2018, even as drought conditions ease and commodity prices recover. Due to perceptions of deteriorating governance and rising policy uncertainty, short-term growth remains below general population growth. Inflation has moderated more quickly than expected, as good rainy seasons have allowed food price inflation to decelerate. This has allowed the South African Reserve Bank to embark on a rate cutting cycle in an effort to support economic growth.

Both Fitch Ratings and Standard and Poor's downgraded South Africa's foreign currency credit rating to sub-investment grade in April 2017. Political developments such as the cabinet reshuffle that brought about this change are decidedly impacting investor sentiment and could further threaten the fragile economic recovery. The political cycle will continue to impact the ecomomic environment in South Africa.

Given the close ties between Namibia and South Africa, a weak growth environment coupled with political uncertainty in South Africa, will impact on trade and economic activity in Namibia.

Namibian Economic Overview

The Namibian economy showed signs of slowing during 2015, but these signs were largely masked by expansionary fiscal policy as well as the boom in construction, which only began to taper toward the end of that year. It was by mid-2016 that the economic slowdown became evident. GDP growth figures for 2016 show significantly depressed growth of 1.1% from 6.0% in 2015. The construction sector was hardest hit posting a real contraction of 26.5%. Diamond mining output also disappointed, contracting by 9.6%.

Of key importance for Namibian economic recovery is investment, both local and foreign, as well as the recovery in key commodity prices.

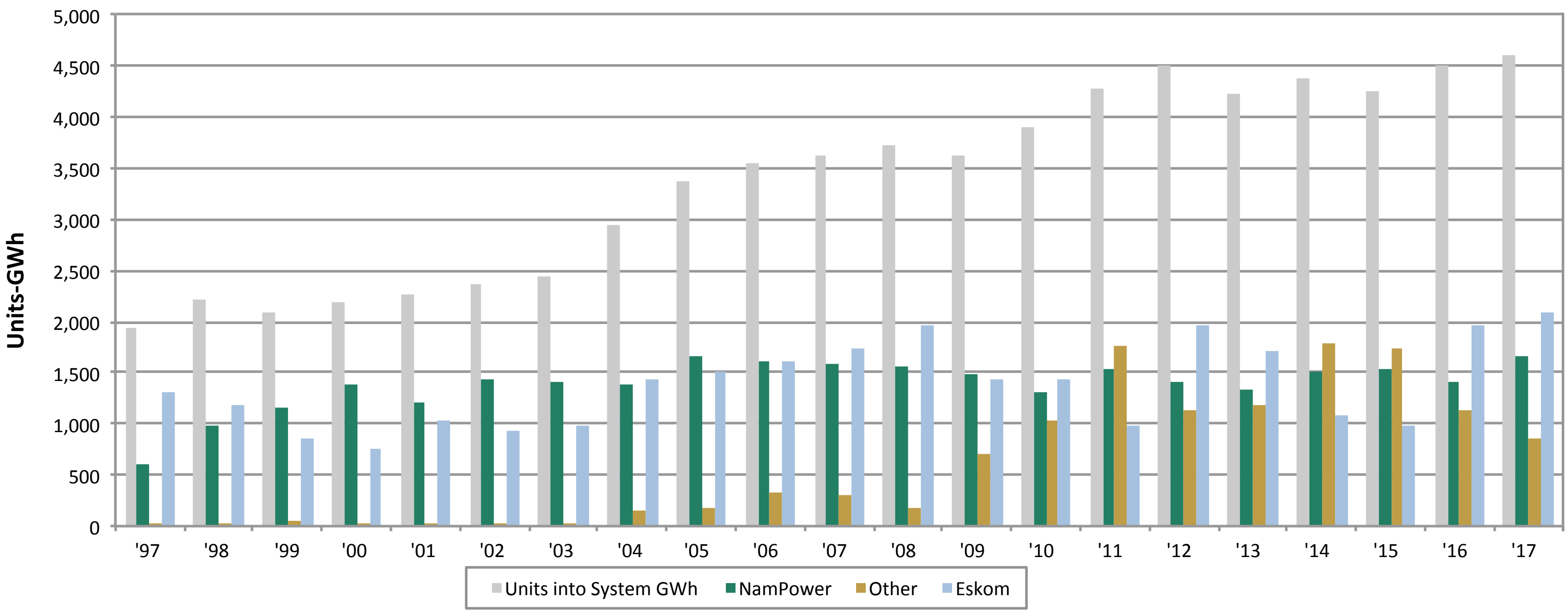
CONSOLIDATED KEY STATISTICS

		2017	2016	2015
1.	Total revenue (N$'000)	**5,805,849**	5,005,992	4,480,514
2.	Taxation (N$'000)	**(375,098)**	1,786,841	181,431
3.	Capital Expenditure (N$'000)	**752,880**	503,799	790,522
	- Property, plant and equipment	**724,545**	503,109	788,845
	- Intangible assets	**28,335**	690	1,677
4.	Coal Cost Per Ton (N$)	**1,955**	1,587	1,528
5.	Average Price per unit sold (Cents)	**153.2**	134.6	122.7
6.	Number of electricity customers	**2,880**	2,871	2,829
7.	System Maximum (Hourly demand) (MW)			
	- Excluding Skorpion	**631**	608	597
	- Including Skorpion	**677**	667	657
8.	Units into System (GWh)	**4,610**	4,506	4,274
	NamPower (Pty) Ltd	**1,660**	1,421	1,536
	ZESCO	**334**	334	422
	Eskom	**2,090**	1,956	982
	ZESA	**-**	55	702
	ZPC	**348**	349	59
	EDM	**3**	23	35
	Aggreko	**-**	301	517
	STEM	**136**	55	20
	Omburu Sun Energy (Pty) Ltd (Innosun)	**12**	12	2
	Hopsol Power Generation	**12**	-	-
	Osona Sun Energy (Pty) Ltd	**12**	-	-
	METDECCI Energy Investment	**4**	-	-
9.	Units sold (GWh)	**4,157**	4,008	3,870
	Customers in Namibia	**3,454**	3,324	3,169
	Skorpion Zinc Mine	**471**	440	474
	Orange River	**132**	145	139
	Exports	**100**	99	88
10.	Installed Capacity (MW)	**1,090**	1,093	1,092
	- Ruacana	**347**	350	337
	- Van Eck	**120**	120	120
	- Interconnector	**600**	600	600
	- Anixas	**22.5**	22.5	22.5
	- Paratus	**-**	-	12
11.	Transmission Lines			
	- 400 kV (km)	**988**	988	988
	- 350 kV (km)	**953**	953	953
	- 330 kV (km)	**522**	522	522
	- 220 kV (km)	**3,206**	3,206	3,013
	- 132 kV (km)	**2,258**	2,257	2,318
	- 66 kV (km)	**3,636**	3,635	3,537
12.	Distribution Lines			
	- 33 kV (km)	**11,659**	11,654	11,614
	- 22 kV (km)	**4,976**	4,945	4,890
	- 19 kV (SWER) (km)	**4,560**	4,396	4,407
	- 11 kV (km)	**1,127**	1,119	1,096
13.	Employees	**1,079**	1,041	998

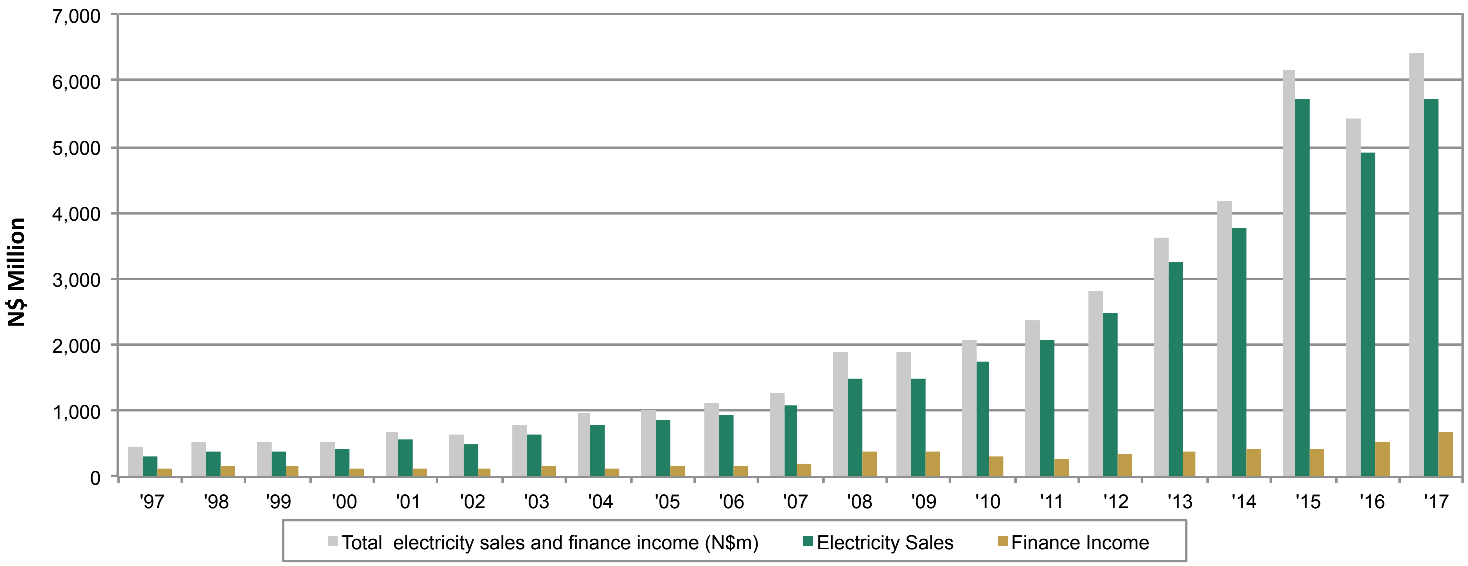
Abbreviations:

AU$: Australian Dollar
EDM: Electricidade de Mozambique
EUR: Euro
FV: Fair Value
GBP: Great British Pound
GWh: Gigawatt hour
Km: Kilometre
kV: Kilovolts
MME: Ministry of Mines and Energy
MTC: Mobile Telecommunications
MW: Megawatt
NNF: Namibia Nature Foundation
N$: Namibian Dollar
OCI: Other comprehensive income
P+L: Profit or loss
SEK: Swedish Krona
SOCI: Statement of comprehensive income
SOCIE: Statement of changes in equity
SOFP: Statement of financial position
STEM: Short Term Energy Market
SWER: Single Wire Earth Return
US$: United States Dollar
ZAR: South African Rand
ZESA: Zimbabwe Electricity Supply Authority
ZESCO: Zambia Electricity Supply Corporation
ZPC: Zimbabwe Power Company

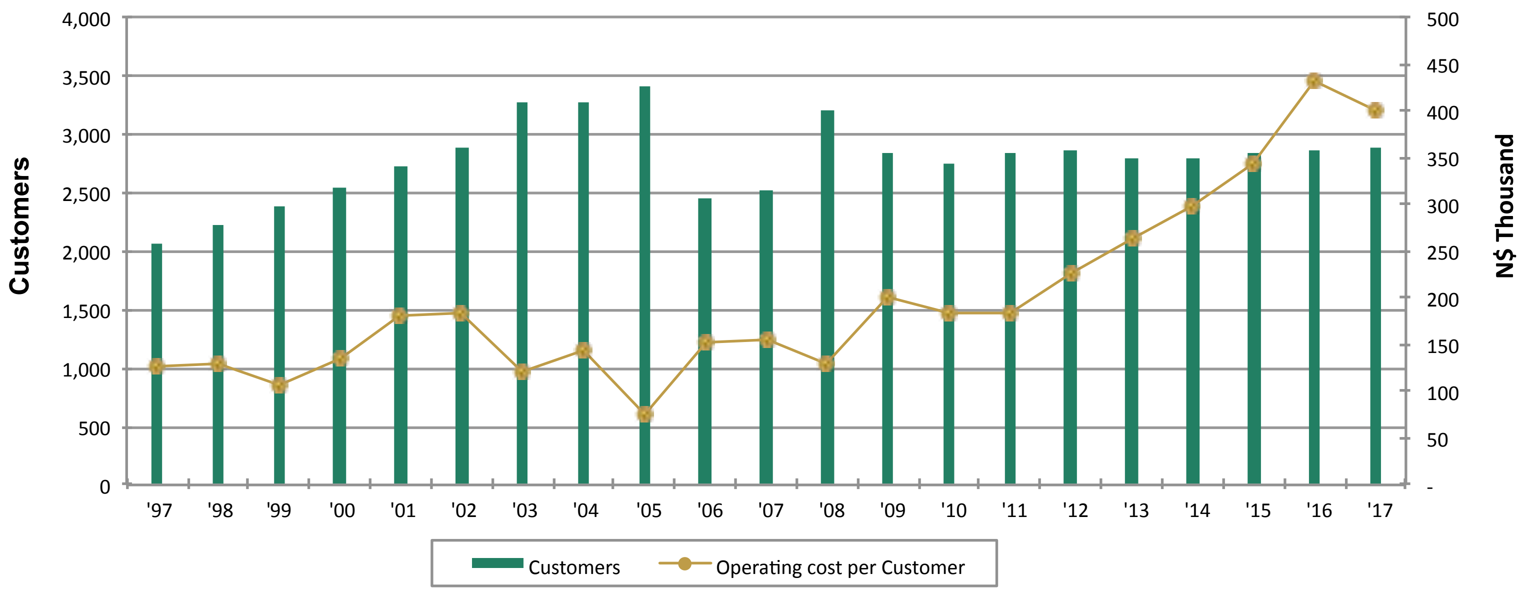
UNITS INTO SYSTEM



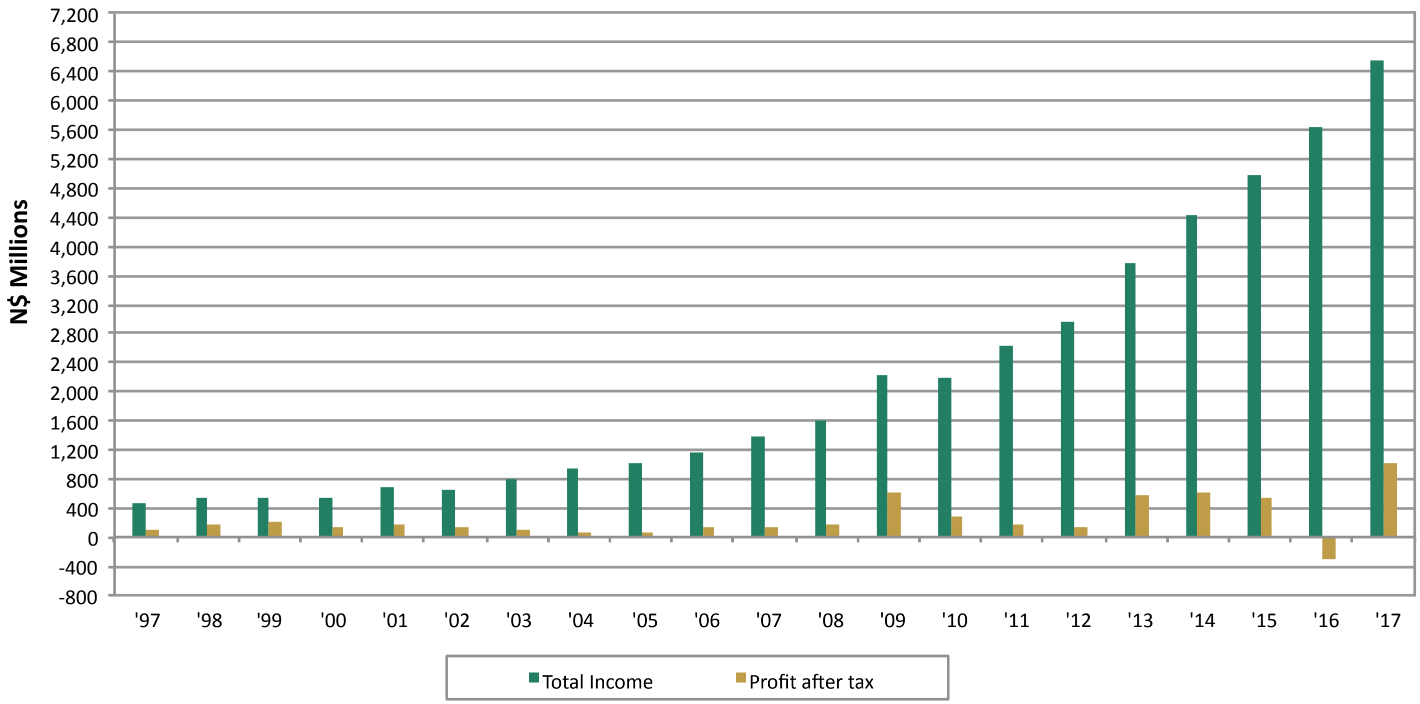
ELECTRICITY SALES AND FINANCE INCOME



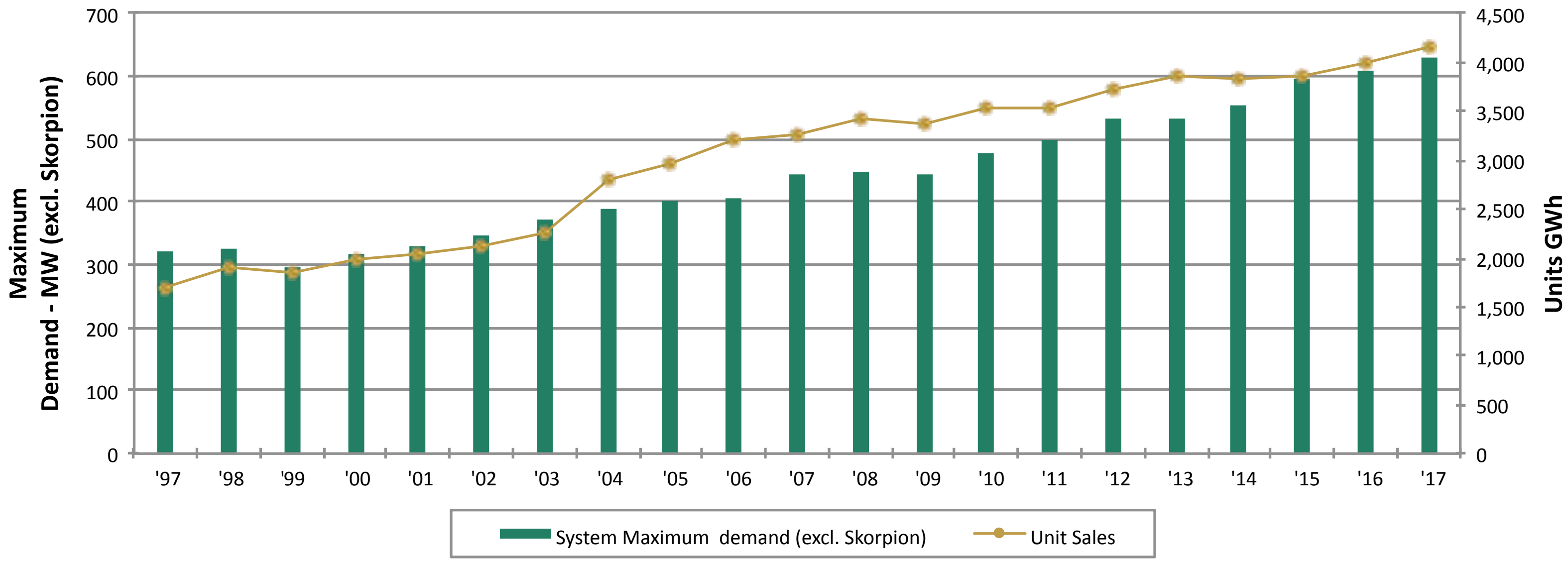
CUSTOMERS AND OPERATING COST PER CUSTOMER



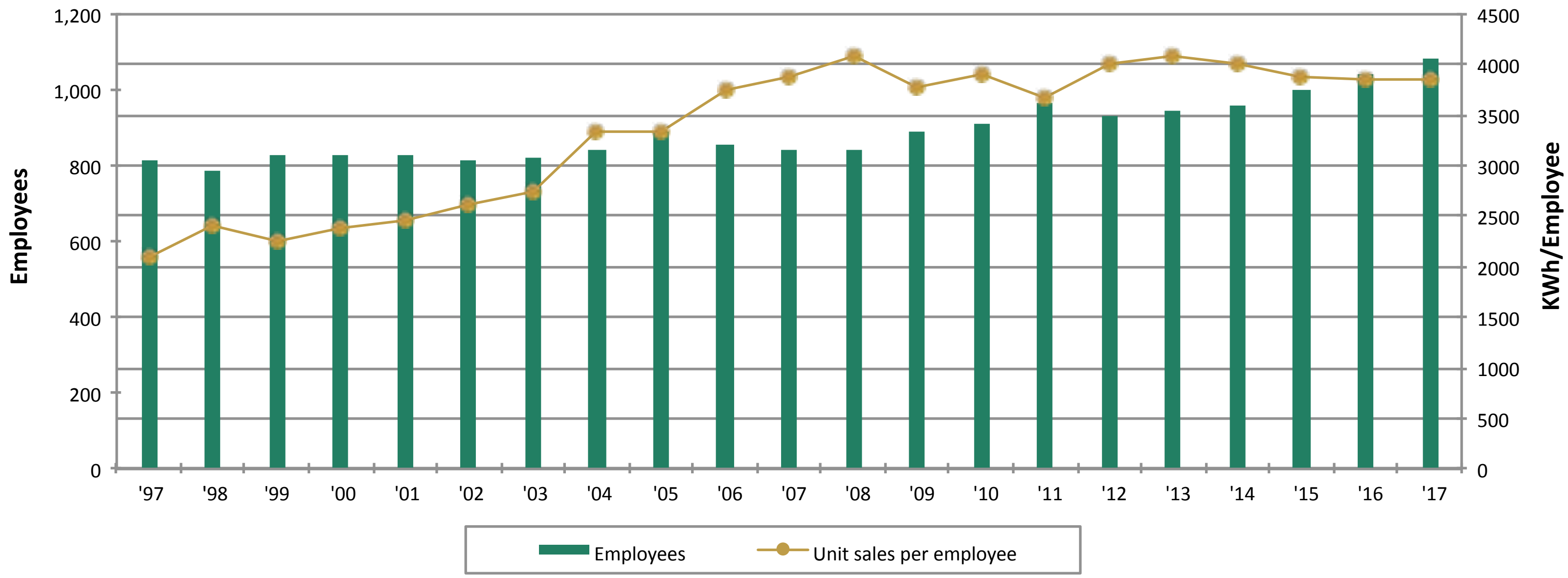
TOTAL INCOME AND PROFIT AFTER TAX (N$ MILLION)



SYSTEM MAXIMUM DEMAND (EXCL. SKORPION) AND UNIT SALES



EMPLOYEE PERFORMANCE



CORPORATE STRUCTURE

MINISTRY OF MINES AND ENERGY

Hon. Obeth Kandjoze
Minister of Mines and Energy

Hon. Kornelia Shilunga
Deputy Minister of Mines and Energy

Mr. Simeon Negumbo
Permanent Secretary of Mines and Energy

BOARD OF DIRECTORS

Ms. Kaunapaua Ndilula

(Chairperson)

MBA – Stellenbosch University, South Africa

Holding two masters degrees and with diverse experience in business management, strategy formulation and execution, Ms Ndilula's more than 20 years of experience holds significant value to the NamPower Board. As founder of the BFS group of companies, she serves as Managing Director. Her institutional development capacity will come in handy in steering the NamPower Board into a sustainable future.

Mr. Daniel Motinga

(Deputy Chairperson)

Masters – Economics University of East Anglia, Norwich, United Kingdom

Renowned economist and researcher, Mr Motinga forms an integral part of the NamPower Board. Publishing research in various fields as well as steering the direction of many organisations as a respected manager and trustee for over 20 years, his vast experience in economics, social policy and sector reform, gives him unique insight into the important role NamPower has on the nation and its industries. He has served as a consulting economist for the banking industry and is currently a Senior Relationship Manager for RMB Namibia.

Dr. Detlof von Oertzen

(Director)

PHD – Physics (High Energy Nuclear Physics), University of Cape Town, South Africa. Advanced MBA – Finance University of Adelaide, Australia

An independent technical and management consultant in the environmental and radiation sectors, Dr von Oertzen has in-depth and hands-on experience in both the finance and energy fields. His career spans more than 25 years and is testament to his expertise across the energy, environmental and radiation sectors, which has seen him work with entities such as the UNDP, Ministry of Mines and Energy, Electricity Control Board, the World Bank, and many others. Dr von Oertzen holds a PhD in high-energy nuclear physics, and an advanced MBA with a finance focus.

Ms. Sara Katiti

(Director)

Masters – Development Finance
University of Stellenbosch,
South Africa

The broad exposure of Ms Katiti's career has given her experience in resource management, business development, operational strategic formulations, financial and technology management and various other fields of business. Ms Katiti brings with her a wealth of experience, having held various senior positions in Namibia's corporate sector.

Ms. Anna Matebele

(Director)

Masters – Commercial and Financial
Law, Kings College London,
United Kingdom

An experienced lawyer in the corporate world for the past 15 years, whose areas of specialty has focused on regulation within financial services, ICT and the road sector. She has served in various executive positions throughout her career providing strategic direction on governance and legal issues. Ms Matebele brings with her vast board experience from the past 10 years in both the private sector and state-owned enterprises.

Mr. Andreas Kanime

(Director)

MBA – University of KwaZulu Natal,
South Africa

Andrew Kanime has operated at an executive level for the past 12 years and has extensive corporate human resources management and business leadership experience in the telecommunication, broadcasting, transport, banking, electricity and educational sectors. His corporate experience is complimented by his uniquely combined set of academic qualifications in the fields of business administration, accounting, finance, human resources and public management. He brings to the NamPower Board humility and a unique skill set, compounded by 8 years of direct corporate governance experience, having held several positions of trust in Namibia.

EXECUTIVE COMMITTEE

Back row:
Reiner Jagau (Chief Officer, Power Systems Development),
Bertholdt Mbuere (Divisional Manager, Energy Trading),
Rinus Carstens (Acting Divisional Manager, Generation),
Isac Tjombonde (Chief Officer, Corporate Services)
Braam Vermeulen (Divisional Manager, Transmission).

Front row:
Gerson Rukata (Acting Chief Officer, Technical),
Lucia Hiveluah (Head NamPower Foundation),
Kahenge Simson Haulofu (Managing Director),
Selma Shaanika (Acting Chief Officer, Finance),
Christo Bezuidenhoudt (Senior Manager, Internal Audit).

MS. KAUNAPAUA NDILULA

Chairperson

CHAIRPERSON'S STATEMENT

As a new Board of Directors, appointed on 1 January 2017, our goal is to establish NamPower as a high-performance and highly ethical organisation.

A recent organisational climate assessment survey has shown that the current culture of the organisation requires improvement in order to establish a suitable environment in which a new strategy for the utility can be implemented.

The results of the survey have further informed our priorities and determination of the desirable culture to steer the organisation towards realising its mission and vision.

In its current five-year strategy, one of the strategic objectives is ensuring that 100% of the peak demand and at least 75% of the electricity energy demand will be supplied from internal sources by 2018.

The absence of a new base load generation plant to ensure self-reliance of power supply, as well as the security of supply, continues to rank high on our risk register. Therefore, security of supply is a priority for the Board and together with Management we are currently pre-occupied with finalising a generation mix that will meet our goal of being self-sufficient in the medium term. We will share such generation mix with our stakeholders as soon as it is finalised. It is our intention to meet the expectation of security of supply within the term of this Board.

As one of the few creditworthy power utilities in Africa, NamPower is well-positioned to optimise its position. The challenge, however, is to ensure that our strategy delivers a competitive, demand-responsive and profitable company. Together with the Management, the Board is optimistic this can be achieved.

At the centre of our strategic plans are our stakeholders, who are an important constituent of our business. That is why NamPower is committed to engaging its stakeholders on a regular basis, in an effort to gauge their opinions about our service delivery. The stakeholder perception survey conducted by the utility in 2017, which affords our varied stakeholders the opportunity to provide feedback on our services, was mainly positive. But despite the positive feedback received from stakeholders, we are committed to enhancing our engagement strategies further.

We value our service providers and invite them to continue seeking opportunities to do business with NamPower. Balancing the interests of our clients, shareholders, suppliers and employees remain critical, and the Board is committed to working towards the achievement of an optimal balance.

The Board recognises that the electricity sector is undergoing significant changes, which will have far-reaching implications for our shareholders, our customers, as well as for the viability of the Company. This realisation raises the need for us to focus on how best we can deliver on our shareholder's expectations while ensuring that we meet our customers' needs, both today and into the future. The new financial year and medium-term objectives will thus focus on enhanced service delivery. Identifying our shortcomings and stakeholder expectations, and putting the necessary mechanisms in place to address these, will be an important value proposition for the Board.

Finally, we are committed to ensuring that NamPower is, and remains, a leading contributor to Namibia's development, and it is this conviction that will shape our decisions and actions. It is important to state that the Board will jealously guard the conduct of NamPower's business to be delivered in a transparent, competitive and cost-effective manner for the benefit of current and future generations.

Ms. Kaunapaua Ndilula
Chairperson

MR. KAHENGE S. HAULOFU

Managing Director

MANAGING DIRECTOR'S REPORT

As we welcome the new Board, we look forward to a fruitful working relationship that will take NamPower to greater heights.

On 1 July 2016, NamPower celebrated 20 years of powering the Namibian nation. Since its establishment in 1996, the utility has served the people and the various sectors of the country without fail, earning itself a solid reputation for reliably keeping the lights on and the engines of the economy running.

A great deal has been done over the past twenty years regarding the development of the transmission network and improving the existing generation plants to ensure consistent electricity supply to the country. Millions of Namibian dollars have been invested in the expansion of our electricity infrastructure and new technologies. This gives us a sense of pride that we contributed greatly to the socio-economic development of our country.

The accomplishments are credited to the commited women and men who, through their combined creativity, skills, diligence and passion, continued to carry out their duties diligently. We pay homage to those who are no longer with us but also contributed to the success story that NamPower is today. In addition, NamPower will continue to play a major role in ensuring security of supply for the country and its people.

Despite concerted efforts to implement and realise initiatives as planned, there were some areas in which we did not realise positive results. I will, thus, briefly highlight some of the achievements made as well as challenges experienced.

Despite the challenge of not being able to supply the bulk of electricity demand from internal sources, the technical and operational areas of our business remain strong. The availability of the transmission network exceeded the planned target, and so did the availability of our generation plants. This was made possible by continuous maintenance and improvement of our existing plants and transmission network.

We continue to depend on our regional partners to service local demand. However, we reduced our electricity imports by 6% - from 63% the previous financial year to 57% in the year under review. This was as a result of the integration of renewable energy into the grid through the Renewable Energy Feed-In Tariff (REFIT) Programme. The import of electricity from regional partners will continue to be part of our energy supply mix until the realisation of a base load power plant. We are also encouraging Independent Power Producers (IPPs) under the REFIT programme to work tirelessly to bring their projects on board.

The implementation of the Transmission Master Plan, which involves the expansion of the transmission network, is progressing very well. A highlight during the year under review was the inauguration of the N$597 million Walvis Bay Substation. This station, which has state-of-the-art technology, is a first of its kind in the SADC Region.

On the financial front, the Company performed well during the period under review. We recorded revenue of N$5.8 billion compared to N$5 billion in the previous financial year, showing a significant increase. The collection of debt is, however, an area of concern, as some of our customers are struggling to keep their accounts up-to-date. NamPower will continue to engage these customers to map out strategies aimed at jointly addressing the challenge.

NamPower values its stakeholders, and recognises that healthy relationships with all of them is of great importance. The Company continuously engages its stakeholders through various platforms and mediums as part of effective stakeholder management.

MANAGING DIRECTOR'S REPORT

In addition to the consultations, NamPower conducts a stakeholder perception survey every second year to gauge the opinions of its various stakeholders on, among others, the Company's customer service. The survey, which was conducted during the year under review, engaged the Government, the regulator, large and small customers, suppliers, opinion leaders, financiers and development partners, and the public. With an average score of 76%, we believe that a healthy working relationship exists between our stakeholders and the utility. Moreover, our service delivery is viewed positively. Despite the positive feedback, we intend to continue improving our service to all our stakeholders.

The empowerment of Previously Disadvantaged Namibians (PDNs) is central to our operations in line with the NamPower Equitable Economic Empowerment Policy (NEEEP). Although the number of PDN-owned enterprises which participate in NamPower's procurement activities has increased, there is a need to strengthen these enterprises and to have them participate directly in the provision of goods and services to NamPower. This will ensure greater impact on the PDNs in particular and on the society in general.

The utility continues to invest in its employees, through various empowerment initiatives to foster an environment that encourages learning, proactivity and progression. We have to continue taking care of our workforce to ensure that they continue giving their 100% as they have always done. For the year under review, we recorded a staff turnover of 5.67% for both voluntary (controllable) and involuntary (uncontrollable) staff turnover.

We also continue to stay in touch with the communities within which we operate, through the efforts of the NamPower Foundation. The Foundation serves as our corporate social investment vehicle and includes the bursary scheme. During the reporting period, more than N$10m was invested in the bursary scheme while N$9m was spent on various community projects.

Our 2014 – 2018 Corporate Strategy and Business Plan will expire at the end of June 2018. The ultimate goal of this plan was to ensure that 100% of the peak demand and at least 75% of the electricity energy demand will be supplied from internal (Namibian) sources by 2018. This however will not be achieved. Ensuring security of supply will continue to be our ultimate mandate, therefore, the implementation of a base load power plant will remain a priority. This calls on us to re-double our efforts when we develop the new five-year strategy and to focus our energy on the implementation thereof.

As we strive to realise our strategic objectives, we recognise and value the commitment and support of our Board, the shareholder and our key stakeholders.

Finally, I would like to thank the NamPower workforce for their unwavering commitment over the last twenty years. The need to pull together has never been greater than now as demand for electricity continues to grow. As we move into the future, we need to embrace our core values and ensure that we deliver on our mandate to power this nation.

Mr. Kahenge S. Haulofu
Managing Director

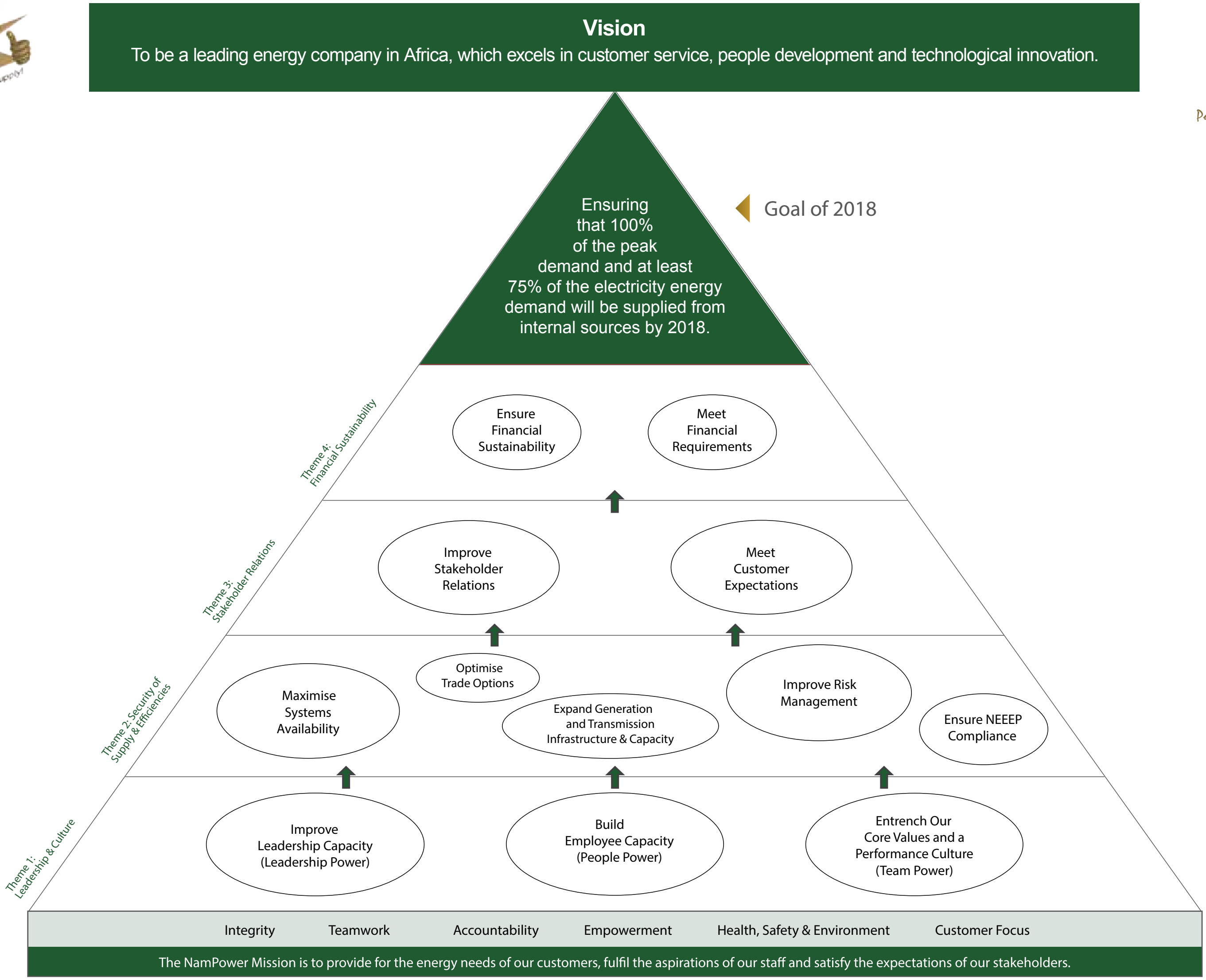
"A great deal has been done over the past twenty years regarding the development of the transmission network and improving the existing generation plants to ensure consistent electricity supply to the country. Millions of Namibian Dollars have been invested in the expansion of our electricity infrastructure and new technologies. This gives us a sense of pride that we contributed greatly to the socio-economic development of our country."

Kahenge S. Haulofu - Managing Director

STRATEGIC OVERVIEW

STRATEGIC OVERVIEW

NAMPOWER STRATEGY MAP
2016 - 2017



STRATEGIC OVERVIEW

Four themes underpin NamPower's 2014 – 2018 Strategy, as illustrated in the Strategy Map. These themes are supported by specific strategic objectives, measures and initiatives set to guide NamPower towards fulfilling its goal of "ensuring that 100% of the peak demand and at least 75% of the electricity energy demand will be supplied from internal (Namibian) sources by 2018." This is in line with the 1998 White Paper on Energy Policy, which was the ruling expression of the Government's policy on energy. The Energy White Paper was recently replaced by the National Energy Policy.

NamPower completed the 4th year of its five-year Corporate Strategy and Business Plan (2014 – 2018) on 30 June 2017. The utility uses a Plan-Do-Review (PDR) tool to monitor and evaluate progress made towards set objectives. The Plan-Do-Review is carried out at Business Unit and Corporate levels twice a year. This process is aimed at identifying bottlenecks and challenges that may hinder the successful implementation of the Strategy, with the aim of putting in place corrective measures.

This is the final year of implementation of the Corporate Strategy and Business Plan 2017/18, and the next five-year Strategic Plan (2019 - 2023) will be developed to guide the Company.

OUR OPERATIONS

OUR OPERATIONS - TRANSMISSION

Celebrating 20 years...

NamPower has over the years developed and maintained a world-class transmission system and network of 66 kV to 400 kV overhead lines and substations. The utility's transmission network, spans over more than 11 000 km.

Capital expansion in terms of infrastructure and new technology investment continued well throughout the years with the continuous construction of new transmission lines and substations across the country. To this effect, NamPower boasts, among others, a 400 kV transmission line, which is one of the longest in the world. It stretches over a distance of 750 km, from the Orange River on the Namibian-South African border, through Kokerboom Substation near Keetmanshoop to Auas Substation near Windhoek (the entire line is 900 km long, which includes the Eskom-owned and operated portion stretching from Aries Substation in Kernhardt, South Africa). Additionally, NamPower also invested in the historic 951 km, 350 kV, 300 MW High Voltage Direct Current (HVDC) Caprivi Link Interconnector Transmission Line, now known as the Zambezi Interconnector Transmission Line and Converter Stations, linking the far north-east with central Namibia.

NamPower continues to expand its transmission network to accommodate the growing electricity demand. In 2016, NamPower inaugurated the N$597 million Walvis Bay Substation. The Substation possesses state-of-the-art technology with the implementation of IEC 61850 Substation Communication Protocols, making it one of the first of its kind in the region. Over the next five to seven years, N$7 billion will be spent on the Transmission Infrastructure Expansion Programme.

During the year under review, the utility continued to maintain a high standard of technical excellence by being innovative, customer-focused and proactive. Much effort has been made over the years in terms of investing in employees through empowering them with current technological skills, knowledge and international best practices. As a result, the NamPower transmission system is operated and maintained at international standards with a certain level of independence from equipment suppliers, as employees are skilled and knowledgeable on system operations, maintenance and emergency response.

Employees who work in Transmission, work under demanding conditions and as a result, travel more than 3.5 million km annually in support of the NamPower vision and mission.

NamPower's Transmission Division is made up of six operational areas as outlined below:

Supply Business

Supply Business is responsible for interacting with key customers on commercial and technical requirements as set out in power supply agreements (PSAs), enabling among others, the connection of new customers to the transmission system.

The section is further responsible for customer billing, monitoring and verifying conformity of power quality at customer supply points, managing customer Notified Maximum Demand (NMD), maintaining customer relations through continuous customer engagements and dissemination of information, and the verification of Independent Power Producers (IPPs) connected to the NamPower network to enable Energy Trading with NamPower.

System Operations (SYSOPS)

This unit serves as NamPower's National Control Centre system operator. The National Control Centre is manned 24/7 for real-time monitoring and control of the transmission and generation networks and remains the central point where all operations are coordinated from. The Centre employs 30% more females than it did in the past when it had solely a male work force.
Systems operations are aimed at optimising the:

- Safety of human life,
- Safety of equipment, and
- Continuity of supply to customers.

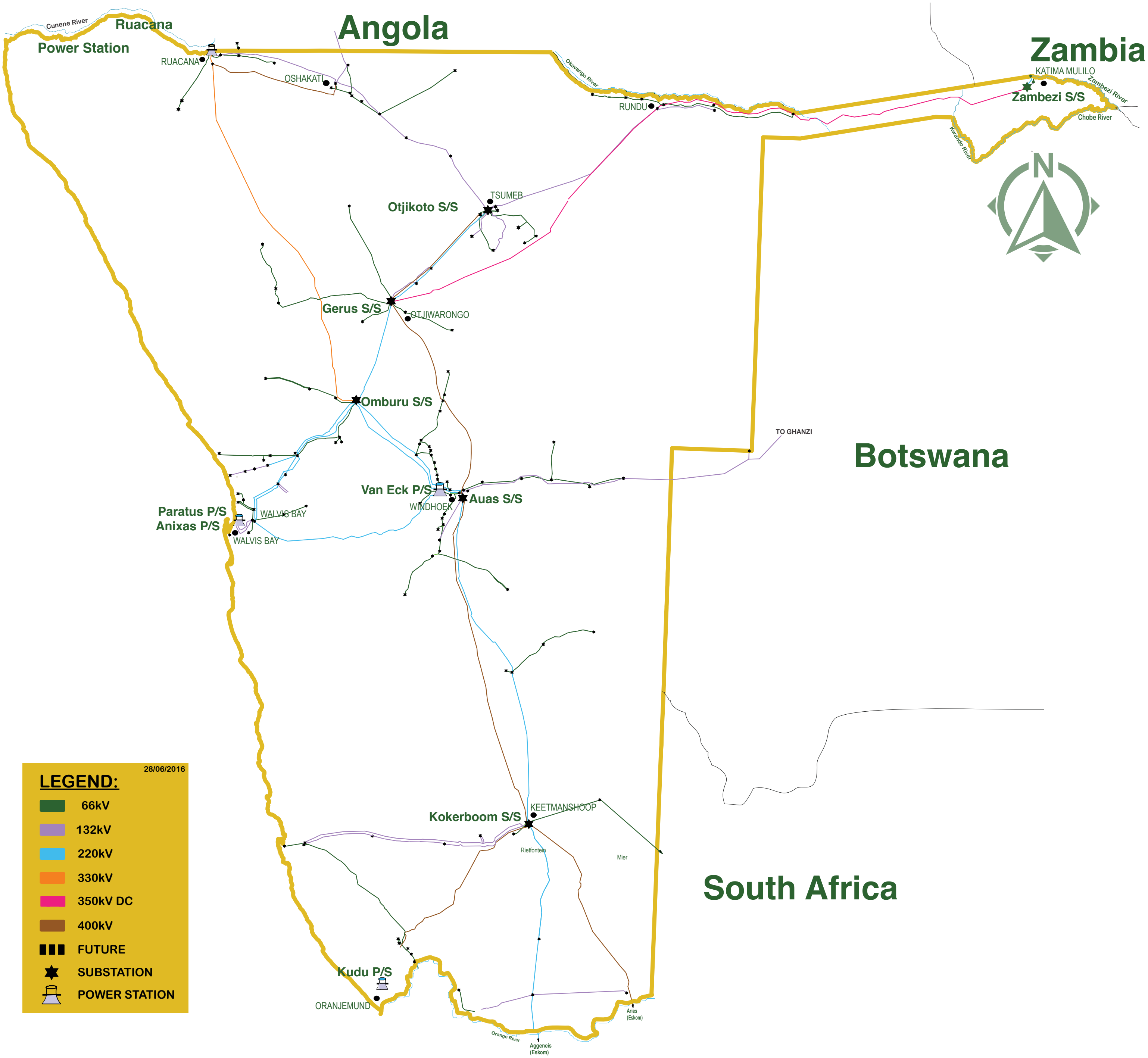
All of the systems operations are conducted on the least cost resources planning principle without sacrificing any reliability criteria. This involves in-house risk assessment and planning as well as coordination with other Southern African Power Pool (SAPP) utilities. The National Control Centre also implements the energy trading power flow schedules on generators and interconnectors to members of the South African Power Pool (SAPP). The National Control Centre constantly upgrades its operating technology and this is testimony to the recent successful commissioning of state-of-the-art re-closer modems that allow remote supervision, control and operation on re-closers located in substations throughout the transmission network.

Engineering Services

The Engineering Services section is made up of the following operational areas/ sub-sections: Protection, Telecommunication, Metering and Control (PTM&C); Asset Maintenance Division (AMD) and Power System Construction (PSC).

The section is responsible for the construction, installation, testing and commissioning of new transmission assets, as well as the maintenance of all primary and secondary equipment (including power transformers, current transformers, reactors, circuit breakers, DC systems, protection systems and many more.

OUR OPERATIONS - TRANSMISSION



"NamPower continues to expand its transmission network to accommodate the growing electricity demand. In 2016, NamPower inaugurated the N$597 million Walvis Bay Substation. The Substation possesses state-of-the-art technology with the implementation of IEC 61850 Substation Communication Protocols, making it one of the first of its kind in the region. Over the next five to seven years, N$7 billion will be spent on the Transmission Infrastructure Expansion Programme."

OUR OPERATIONS - TRANSMISSION

This section is managing the Fibre Optic Commercialisation Project. NamPower is in the process of creating a framework under which its fibre optic assets can be further utilised for the benefit of Namibia and the Southern African Region at large, whilst at the same time furthering commercial viability for NamPower.

Market studies and demand analyses were completed during the year under review, indicating promising opportunities in this regard. NamPower is currently in the process of engaging stakeholders, after which the implementation process is expected to commence.

System Security and Planning (SSP)

The System Security and Planning section is responsible for planning, design and protection of the power system, to ensure a stable and reliable present and future transmission network. Further responsibility also includes the forecast of system peak demand.

The focus areas in SSP are:

- System Planning: conduct internal and customer-related studies to integrate load and generation customers and cater for future load growth.
- Network Protection: conducts studies and calculations to develop protection settings and conduct fault investigation studies.
- Load forecast: conduct load forecast analysis to determine future load demand requirements.
- Geographical Information System (GIS) maintains an information system that integrates all transmission related data for planning and maintenance related purposes.
- Special studies: conduct specialised power system studies, grid code compliance studies, harmonic integration, determine network electro-magnetic transient phenomena and ensure subsynchronous resonant stability of new and existing generation.

SSP further provides power system studies that allow the transmission network to integrate load and generation customers, cater for future growth, and wheeling of energy through the NamPower network to the SAPP Region.

Network Operations (NETOPS)

Network Operations is responsible for first line maintenance and all operational activities required on the transmission and distribution systems under NamPower control (outside of the Regional Electricity Distributors (REDs).

The section extends throughout the country and is divided into: Northern, Central and Southern Regions (headed by area managers), responsible for:

- Inspection and maintenance of transmission and distribution power lines;
- Construction and commissioning of short distribution lines and customer supply points;
- Inspection and maintenance of distribution customer supply points;
- Inspection and maintenance of substations and all first line maintenance on high-voltage equipment; and
- Maintenance of transmission and distribution line servitudes, including bush clearing and herbicide application.

Wires Business

This section serves as the Transmission asset owner (lines, substations and specialised devices) with the main focus of compiling the scope and design of new Transmission projects and to ensure that the current system is operated and maintained at world standard best practices.

Summary of Key Achievements

- Commissioning of the new 220 kV Gerus - Otjikoto 2 transmission line. This 174 km line with its associated equipment was energised on 31 August 2016 at the cost of roughly N$280 million. This line was constructed between the Gerus and Otjikoto Substations. It was designed and constructed for 400 kV, but operated at 220 kV as part of the Transmission Master Plan future northern ring.

  Earlier in 2017, three of the Gerus - Otjikoto 1 line tower structures were damaged after heavy rains and this new line was able to maintain supply to the northern regions without power supply interruptions.

Substation developments:

- Kuiseb Phase 3 & 4 Upgrades (energised 15 December 2016), part of the supply upgrade to Walvis Bay.
- Lithops 30 MVAr Reactor (energised 20 December 2016), part of the west coast developments.
- Bokomo Substation (energised 8 May 2017), an interim substation or supply capacity increase to Brakwater area.
- Ruacana Transformer 21b (energised 23 October 2016) to ensure redundancy for the supply to parts of the Northern Region from Ruacana Substation.
- Schlangkopf 132/33 kV substation (energised 18 August 2016), forms the transmission supply to the Neckartal Dam Development
- Mulunga 66/22 kV 2.5 MVA supply (energised 20 November 2016), replaces the previous interim 2.5 MVA supply to NORED
- Okongo 5 MVA (energised 26 February 2017), to increase the capacity of NORED at Okongo from 2.5 MVA to 5 MVA
- Commissioning of various photovoltaic (PV) and wind plants as part of the Renewable Energy Feed-In Tariff (REFIT) Programme (5 MVA plants):
  - Grootfontein (30 June 2016) - PV
  - Osona (1 September 2016) - PV
  - Karibib (7 March 2017) – PV

System Demand

A new maximum demand of 630.960 MW/h (without Skorpion) and 676.743 MW/h (with Skorpion) was registered on 21 June 2017. The new maximum demand is 3.75% higher than the previous record, registered on 14 June 2016 at 608.133 MW/h and 667.497 MW/h respectively.

OUR OPERATIONS - TRANSMISSION

Table 1: System Minimum and Maximum Demands (excluding Skorpion)

01:00 Monday - 00:00 Friday	
Weekday maximum	630.960
Weekday minimum	234.926
01:00 Saturday - 00:00 Sunday	
Weekend Maximum	595.360
Weekend Minimum	264.730

System Performance

High standards of technical excellence are maintained by being innovative, customer-focused and proactive.

Consistent with international best practices, system performance parameters are measured according to IEEE standard 1366-1998, focusing on the customer average interruption duration index (CAIDI) and, the system average interruption duration index (SAIDI).

Table 2 below depicts the transmission system performance during 2016/17 and the corresponding score as per the transmission key performance indicators (KPIs). It is evident from the table that, on average, the performance of the transmission system for the period under review can be rated as above target.

System reliability (SAIFI) was exceptional as the frequency of customer interruptions on the NamPower system remained extremely low. The average NamPower customer could expect less than one interruption (0.18). The average restoration time (CAIDI) as compared to the previous reporting period has decreased from 4.96 to 4.18 minutes of loss of supply.

The system availability was 99.95% during the reporting period.

System Disturbances

The NamPower grid experienced two major system disturbances that were experienced in the country. A monthly average of 13 unscheduled customer interruptions was experienced, with most of these disturbances attributed to extreme weather conditions such as lightning.

Table 2: Transmission system performance data 2016/17

Unscheduled System Minutes Losses (USML) (minutes)	Scheduled System Minutes Losses (SSML) (minutes)	System Average Interruption Duration Index (SAIDI) (minutes)	System Reliability II (SAIFI) (interruption/ customer)	Average Restoration Time (CAIDI)
47.78	36.99	0.74	0.18	4.18

Transmission Master Plan

The NamPower Transmission Master Plan is updated on an annual basis to ensure that the Company maintains pace with evolving electricity needs of the country and to ensure that network expansions are executed accordingly. A report on the Transmission Master Plan covering the period 2017 to 2021 was compiled focussing on the transmission network grid infrastructure expansion plans and highlighting new development requirements at an estimated cost of N$4.5 billion.

The aim was to establish required changes to the network expansion plans since the 2012 Transmission Master Plan and subsequent updates. The study was preceded by the transmission maximum demand load forecast report of November 2016, which together with the generation scenarios received from Energy Trading comprised the main inputs into the master plan studies model.

Table 3: 2017-2021 Major Transmission Projects

Major projects (2017-2021)	Year to be completed
Hippo 132 kV substation and Ruacana 330/132 kV substation development	2017/2018
Ohama 132/66 kV substation development	2017/2018
Kunene-Omatando 400 kV substation development	2017/2018
Okapya-Okatope feeder bay (substation development)	2017/2018
Khurub-Aussenkehr 132 kV transmission line	2017/2018
Kavango East 132 kV strengthening	2017/2018
Auas-Gerus 400 kV transmission line (linked to flow over Zambezi Link Interconnector, ZLI)	2019/2020
Khomas 220 kV substation development	2019/2020
Backbone developments for strengthened Eskom integration or Kudu deep connection	2019/2020

Operating Projects

Annually, NamPower embarks on a number of operating projects, planning and executing continuous maintenance or refurbishment of existing assets. The objective is to ensure that assets remain reliable, available and in good working condition to ensure security of supply on the transmission network. The planning process looks at, among others, the refurbishment of substation equipment, transmission lines, transmission substations and buildings and other related infrastructure.

As part of a continuous line inspection and maintenance programme, specialised live-line maintenance works are planned for the 2017 - 2018 financial year for the following 400 kV lines: Auas – Kokerboom; Aries – Kokerboom and Kokerboom - Obib. Namibia does not have full redundancy on its 400 kV backbone and therefore the only feasible way to conduct maintenance is to use live-line working techniques. This is an ongoing process to ensure the 400 kV backbone remains reliable. Similar works (but performed with the line switched off) are continuously performed on the 220 kV lines and other lower voltage levels.

OUR OPERATIONS - RENEWABLE ENERGY

Renewable Energy

NamPower embraces the principle of increasing renewable energy technologies as part of the energy supply mix in Namibia and supports the key objectives set out in the recently promulgated National Energy Policy, (which replaced the Energy White Paper of 1998), National Integrated Resource Plan (NIRP) and the Harambee Prosperity Plan, all of which have been launched during the course of this reporting period.

On an annual average, NamPower imports more than 60% of its energy from the SADC Region, while the remainder is generated mainly by the Ruacana Hydropower Plant. Although also considered a renewable energy source, the Ruacana Power Plant remains dependent on the seasonal run of the Kunene River.

NamPower has reached a capacity where the role of its intermittent renewable sources could potentially disturb the national grid balance. Grid stability, the outcome of a sensitive balancing act between managing the supply, now with substantial intermittent renewable energy penetration, and the ever-changing demand in real time, has come under the microscope with a fully-fledged grid integration study currently being conducted. This study, will make recommendations for the NamPower grid to provide for an increase in ancillary services and potentially enforce storage facilities for all future renewable energy sources, to enable these supplies to be dispatched more consistently as a minimum and potentially also to provide supply during peak demand periods.

Renewable energy will continue to play its part within the country's energy mix. Once a feasible model is found, it will address the problem of inadequate access to electricity, especially in rural areas, remains a key outcome to extend affordable energy services to underserved populations and the need for self-sufficiency and energy independence. Namibia has reached a stage where the market better understands the challenges and opportunities of renewable energy projects in the Region, and we hope to utilise this technology more efficiently in our generation mix.

Renewable Energy Feed-In Tariff (REFIT) Programme

The REFIT Programme was designed to accelerate investment in renewable energy technologies by offering long-term contracts with attractive tariffs to renewable energy Independent Power Producers (IPPs), typically based on the cost of generation of each technology.

The set capacity of 70 MW to be served through the REFIT Programme saw the allocation of 14 IPPs, each generating 5 MW, which was predominately allocated to solar PV and a single wind project under the mix. Progress thus far has been slow, with only two IPPs commissioned during the reporting period, bringing the total to three renewable energy projects successfully implemented to date. Others have started and advanced with the construction of their respective power plants and are expected to be commissioned within the 2017/18 financial year.

Independent Power Producers (IPPs)

IPPs have played a vital role in the development and establishment of the renewable energy tranche within our energy supply mix, which includes a significant incursion of embedded generation behind the meter.

With NamPower looking to develop larger projects (not limited to solar or wind renewable projects), the envisaged role of IPPs has increased to allow for independent companies to invest into Namibia's energy sector with no exposure to the Namibian Treasury nor any forex or commodity exposure.

Unlocking these larger scale projects still, faces some challenges associated with significant capital outlays, risk appetite of potential investors and associated Government guarantees. In addition, such procurement, involving the private sector will most probably involve the Public Private Partnership process.

Power Purchase Agreements Concluded

With the implementation of the new Public Procurement Act, NamPower had limited opportunity to conclude existing negotiations and phase out all unsolicited project offers on the table. Negotiations have been concluded with a Power Purchase Agreement and Transmission Connection Agreement for both Diaz Power (wind power generation of 44 MW near Lüderitz) and GreeNam (solar PV of 10 MW at Hardap and 10 MW at Kokerboom sites in the South). Although construction has yet to commence, developments behind the scenes have advanced with the newly introduced long stop dates expiring within the next coming months.

37 MW Solar PV Plant

NamPower has awarded the Hardap Solar PV tender for a capacity of 37 MW at its site, located adjacent to Hardap Transmission Station near Mariental. The tender closed during September 2016, after which 13 substantial tender submissions were received and comprehensively evaluated. Following a set of negotiation meetings and approval within NamPower governance structures, the tender was awarded to Alten Renewable Energy Consortium.
The Project Agreements between NamPower and the Alten Renewable Energy Consortium were executed and signed in March 2017 as the Regulatory Oversight Consent, Tariff Approval and Generation Licence were provided for in the conditions precedent of the Power Purchase Agreement (PPA). As such, the Commercial Operation Date (COD) is set for February 2018.

Apart from the 30% PDN shareholding threshold (undiluted) and special to this project, NamPower has 19% shareholding in the Project Company for providing various development activities such as the procurement of the site, availing the topographical and geotechnical studies, obtaining and transferring the Environmental Clearance Certificate and providing the required transmission connection and capacity for the Hardap Transmission Station.

OUR OPERATIONS - RENEWABLE ENERGY

The project will feature approximately 140 000 Tier 1 solar PV panels mounted on single-axis trackers, with a guaranteed capacity factor of at least 34.56% and not degrading more than 4.7% over the lifetime of the PPA.

Ruacana Auxiliary Supply

NamPower recently awarded an Engineering, Procurement and Construction (EPC) contract to add 330 kW of PV generation at its Ruacana Hydro Plant, to supplement the auxiliary supply requirements of the power station. Construction of the plant commenced in May 2017, and the Take-Over Date is set for 21 July 2017. The site is located adjacent to the existing Ruacana Hydro Power Plant head bay structure and would house approximately 1200 Tier 1 solar PV panels. Energy will be fed into the existing 11 kV power station.

Namibia Wind Atlas

NamPower and Namibia University of Science and Technology (NUST) have been jointly working since 2013 to establish regional wind atlases for 11 identified sites throughout Namibia. NamPower has invested in two wind measuring masts which have been erected near Lüderitz and Walvis Bay, facilitating data collection of the wind resource for various heights up to 45 meters. This will provide valuable assessment data to be made available in the public domain, together with the various indicative wind atlases for the other 9 NUST sites identified.

Based on the current data collection efforts, Lüderitz's potential prevailing wind resource coincides with the country's evening peak, and as such, NamPower is currently planning an additional wind resource measurement station to be erected at Lüderitz, for the collection of bankable data for potential project development in the area. The latter will be erected within an envisaged wind site for future wind energy converters.

Development of a Biomass Power Station

The National Integrated Resource Plan (NIRP) promulgated early in 2017 includes an allocation of biomass-to-electricity energy of up to 200 MW, although plants between 10 and 20 MW were initially proposed to provide sufficient time for the harvesting industry to establish itself to cater for the increase in biomass consumption. It further recognises invader bush as a virtually limitless fuel source to be considered as an opportunity to facilitate an increase in private investment or project allocation to IPPs.

Internal NamPower supply runs in line with the outcomes of the NIRP as well as the grid stability studies identify opportunities for biomass plants to form part of the key contributors to diversify and de-centralise the supply mix in Namibia.

The scope defined for the Biomass Project comprises assessment and facilitation of the complete value chain, from harvesting the encroacher bush to the delivery of electricity to the transmission grid. Factors considered include the technology type, the power plant capacity, investment requirements, cost of electricity and the ability of the harvesting community to fuel a power plant.

NamPower, in search of potential sites, has identified six optimal sites for the construction of the first 20 MW Biomass Power Station in Namibia, where there is a clear overlap of grid capacity and available invader bush resource.

Continued progress has been made since the previous reporting period concerning key tasks being executed as part of the project development phase which includes:

- The appointment of a Biomass Project leader from a recognised international consultancy firm to assist NamPower during the development phase.
- The appointment of a techno-economic advisor for the techno-economic study of the Biomass Project to confirm the technology selection, processes, capital estimates and economic parameters.
- The appointment of an environmental consultant for the environmental and socio-economic assessment to ultimately apply for environmental clearance from the Ministry of Environment and Tourism (MET). The assessment includes a scoping phase conducted on the six potential sites and a detailed assessment on the preferred site taking the power station, associated logistics and high-level harvesting activities into consideration.

NamPower is planning to conduct a detailed macroeconomic study to identify and confirm the macroeconomic benefits of, among others, harvesting and processing invader bush for electricity. We are currently assessing the potential of getting involved in the harvesting invader bush to act as a catalyst to enable the ramp-up in scale required to feed a biomass power plant through a bankable Fuel Supply Agreement (FSA). It is important to understand and articulate the marcoeconomic benefits to the farming community and how follow-up treatment will be managed, and to come up with a realistic fuel price.

Concentrated Solar Power (CSP)

Namibia has been acknowledged as a solar resource-rich country, even described as equal to the best sites in the world for both Direct Normal Irradiance (DNI) and Global Horizontal Irradiance (GHI). It is, therefore, no surprise that the NIRP included an allocation to CSP with storage as part of the country's supply mix options to meet its demand. In addition, grid stability studies conducted by NamPower and also an independent study on the impact of renewable intermittent supplies in the NamPower network, currently being conducted by Mott MacDonald, highlights the need for dispatchable technologies to support the national grid and accommodate the intermittency of power expected from high capacity solar PV and Wind projects committed and expected to come online in the next few years.

Building on the project development and numerous activities completed in the past two years, the following completed activities are worth reporting as having paved the way for the construction of the first CSP plant based on dispatchable generation technology in Namibia:

- Ground measurement stations capable of providing investment grade resource data were installed on three sites: Auas Transmission Station,

OUR OPERATIONS - RENEWABLE ENERGY

Kokerboom Transmission Station and at the Arandis site.

- By September 2016, a full year's worth of resource data was measured, analysed and correlated to more than 22 years of satellite DNI maps. The output of the study at the end of the measurement-year was a set of resource data with certainty levels described as P50, P75, P90 and P95.
- A macroeconomic study was concluded for the project in November 2016. The study confirmed, quantified and qualified the value-added contribution of a CSP Project to the Namibian economy. Also, the study identified potential local and regional content during the construction and operation of the power station.
- NamPower achieved a key milestone during January 2017 with the issuance of the environmental clearance certificate from MET for a CSP generation facility at the Arandis site.
- Mott McDonald, which was appointed to conduct a techno-economic feasibility study, completed phase 1 in March 2017. The techno-economic study was designed to provide technical assistance in assessing the feasibility of different options for the CSP Project based on a range of technology configurations, sizes and locations in Namibia.
- A Multi Criteria Decision Matrix (MCDM) was completed to derive the preferred plant configuration taking into account ground measured solar resources, site availability, class-C cost estimates, infrastructure assessments and the associated Levelised Cost of Electricity (LCOE).

With project development at an advanced stage, the key activities planned for the next reporting period are, among others, the finalisation of the formal project charter, including:

- A set timeline;
- Viable risk matrix;
- Obtaining Government support;
- Securing NamPower; and
- Government approval to continue with the CSP project in Namibia. A close cooperation with the South-African IPP Office, which successfully implemented the renewable energy program in South Africa, has been established.

Demand Side Management (DSM)

1 million Light Emitting Diodes (1mLED)

NamPower established several projects under the Short-Term Critical Supply (STCS) Programme of May 2011 to address the electricity shortages. One of these projects is the NamPower Demand Side Management (DSM) Project, which aims at reducing demand on the NamPower network during peak times and cost-effectively addresses the electricity supply constraints.

The 1 million Light Emitting Diode (1mLED) Campaign is one of NamPower's-energy saving initiatives solutions under the DSM Projects. The 1mLED Campaign is aimed at reducing electricity usage in the residential areas during peak times (6:00am - 9:00am and 18:00pm - 21:00pm) by replacing one million incandescent bulbs with LED bulbs.

The project consists of the following four main streams which facilitate the smooth implementation of the Campaign:

1. LED bulbs supply chain;
2. LED champions (LED bulbs Installation) chain;
3. Public awareness information campaign; and
4. Measurement and verification chain.

The 666 800 procured LED bulbs for the 1 million LED Campaign was envisaged to reduce peak by approximately 20 MW, with an associated annual energy impact of 29.2 GWh. Based on the 181 995 lighting retrofit claims, the Campaign to date has resulted in the overall Demand Savings of 2.460 MW during weekday evening peak and an overall Total Energy Impact of 3 314.980 MWh.


CLIENT 2
SONY

OUR OPERATIONS - ENERGY TRADING

Celebrating 20 years...

Emanating from a bilateral transmission agreement between the Democratic Republic of Congo and Zambia, an Electrcity Sub-Committee (ESC) was set up, to discuss and plan the improvement of regional electricity supply. This brought about the formation of the Southern African Power Pool (SAPP) in 1995.

NamPower, subsequently joined SAPP in 1999 to form part of the greater network and to benefit from a better cost structure, readily available power supplies and trans-national contracts.

NamPower's robust Energy Trading Platform System enables successful trading activities such as load forecasting, market scheduling, energy settlement, financial settlement as well as reporting, with a high degree of accuracy.

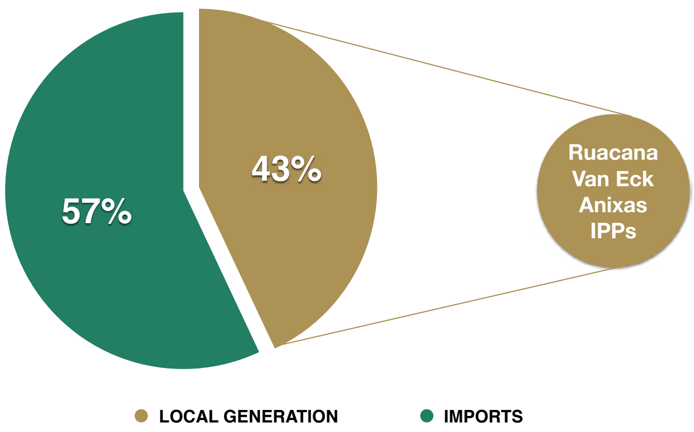
Today, NamPower continues to be an active member of the SAPP and continues to purchase and sell power in the SAPP Day-Ahead Market (DAM) to supplement its supply requirements.

NamPower, through its Energy Trading Division is responsible for ensuring that the country's electricity energy demand is met at all times. Energy trading activities cover all facets of optimising the energy supply mix through demand forecasting, integrated resource planning, energy budgeting, energy trading activities, energy reconciliation, energy financial settlement, reporting and negotiations and management of Power Purchase Agreements (PPAs).

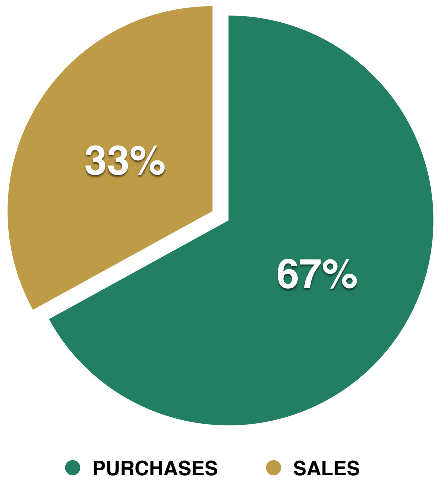
Highlights

During the year under review, NamPower reduced its energy imports by 6% from the previous 63% to 57%. The reduction is attributed to the improvement in the integration of renewable energy, specifically the REFIT Programme. Energy sales to the Southern Africa Power Pool (SAPP) market increased by 26% during the period under review, which indicates a strong commitment for NamPower to increase its local generation capacity.

LOCAL GENERATION VS IMPORTS



SAPP MARKET



NamPower Generation

During the period under review, only two of the three NamPower generation plants (Ruacana and Van Eck) were dispatched, while the third plant (ANIXAS) was on standby for emergencies. The dispatch regime for Van Eck Power Station was not maximised due to the ongoing refurbishment of the plant.

REFIT

A capacity of 70 MW is expected to be generated through the REFIT Programme, which translates to 14 IPPs, each generating 5 MW. In addition to one IPP commissioned in the previous (2015/16) financial year, Osona PV (5 MW) located in Okahandja area and Metdecci PV (5 MW) located in Karibib area were commissioned in September and March respectively, and contributed about 26.5 GWh of renewable energy during the 2016/17 financial year. The remaining 11 IPPs are all expected to commission during the 2017/18 financial year.

InnoSun Energy (Omburu)

This is a non-firm supply agreement with InnoSun Energy, a local Independent Power Producer, used mainly as it generates. The available capacity varies, but up to 4.5 MW is available during sunshine hours.

OUR OPERATIONS - ENERGY TRADING

Imports Review

NamPower continues to supplement its energy requirements with imports from sister utilities in the Southern African Power Pool (SAPP). The availability and accessibility of surplus power from the region helps NamPower to maintain affordable and secured power supply to its customers.

The supply-demand balance in the region has changed significantly over the past decade due to a number of reasons, including climate change and economical slow-down in some of the neighbouring countries such as South Africa. However, countries in the region are focusing on developing domestic power generation capacity to close the forecasted gap between supply and demand, and NamPower is no exception.

A number of import agreements will be expiring by 2020, and NamPower is gearing up to make sure that new local generation plants are brought online to cover the anticipated supply gap.

Eskom

NamPower and Eskom signed a firm five-year Power Purchase Agreement in March 2017, effective from 1 April 2017. As per this agreement, NamPower will be supplied firm power of 200 MW and then supplement its requirements by getting additional energy on day-ahead basis.

ZESCO

NamPower continues to receive firm supply of 39 MW of the contracted capacity of 50 MW from Zambia Electricity Supply Corporation (ZESCO) through the Zambezi Link Interconnector. The contracted capacity has been reduced by 20% following the declaration of a force majeure by ZESCO, (meaning that the contracted capacity reduces from 50 MW to 39 MW) due to the drought experienced in 2015. This agreement has been reliable throughout the year and, continues to be except during periods when there are transmission constraints.

ZPC

Zimbabwe Power Company (ZPC) (which is a subsidiary of Zimbabwe Electricity Supply Authority (ZESA)) continued to supply NamPower with 80 MW firm power. This energy is sourced from Kariba Hydro Power Station and is available at a load factor of 50%.

EDM

NamPower and Electricidade de Moçambique (EDM) have a non-firm supply agreement, entered into in 2014. During the 2016/17 financial year, 3 GWh of energy was imported from EDM on a non-firm Power Purchase Agreement day-ahead arrangement.

SAPP Market

NamPower is an active member of the Southern African Power Pool (SAPP) and trades in the Day-Ahead Market (DAM) to optimise its available supply sources. During the period under review, DAM sales increased from 7% the previous financial year, to 33% in 2016/2017.

Power Supply Outlook for the Period (July 2016 to June 2017)

ENERGY IMPORTS

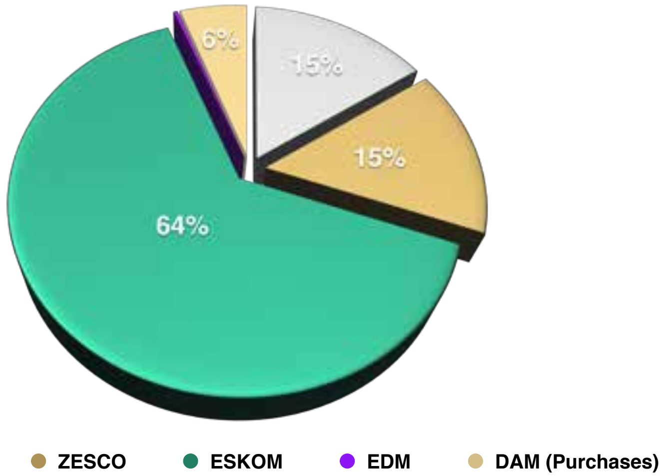


Figure 1: *Energy Imports Composition*

LOCAL GENERATION

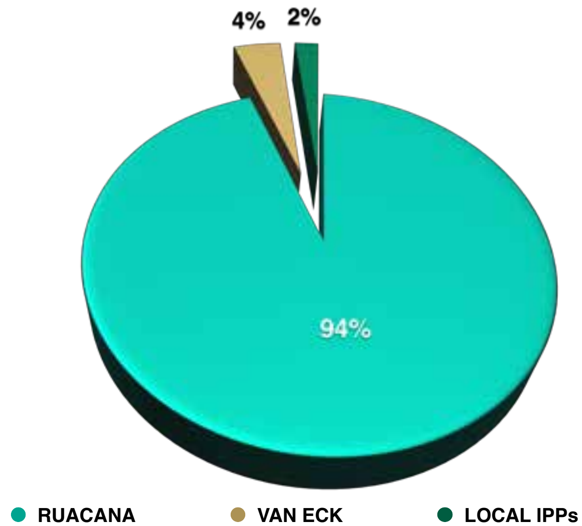


Figure 2: *Local Generation Composition*

OUR OPERATIONS - ENERGY TRADING

LOCAL GENERATION VS IMPORTS

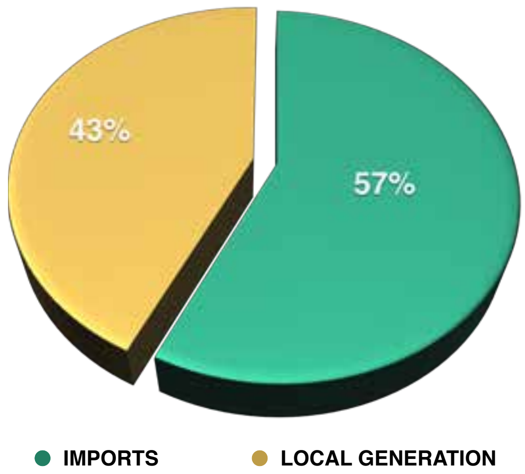


Figure 3: *Local Generation vs Imports*

SAPP MARKET

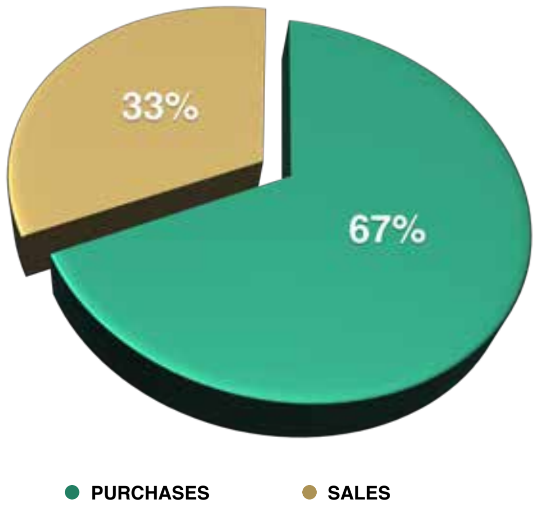


Figure 4: *Sales vs Purchases - SAPP Market*

OUR OPERATIONS - GENERATION

The power stations form the backbone of the generation mix in the country and are key elements in addressing electricity demand and in minimising costly imported electricity during peak hours.

Power plants

Power Station	Year Commissioned	Location	Type	Installed capacity (MW)
Ruacana	1975	Ruacana	Hydro	347
Van Eck	1972	North of Windhoek	Coal-fired	120
ANIXAS	2011	Walvis Bay	Diesel	22.5
Paratus (decommissioned)	1976	Walvis Bay	Diesel (HFO)	24

Rehabilitation Work at Van Eck Power Station

The Van Eck Power Station Rehabilitation project continues, with Units 2, 3 and 4 being operated at minimum loads of ±11 MW to support and stabilise the Namibian Transmission Network.

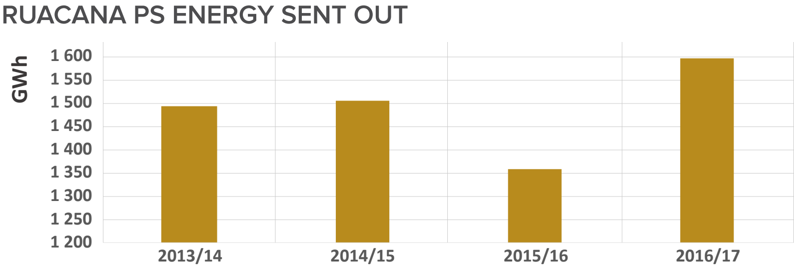
Challenges remain, mainly due to various technical challenges that are being encountered, which in turn affect the reliability and the desired output (30 MW) of the units. This can mainly be attributed to the ageing infrastructure of the power station. These problems are however being attended to and the project is expected to be completed by 2018. Unit 1 still needs to be hot-commissioned in generation mode, as it was used in Synchronous Condenser Mode (SCM) up to now, in order to support the Auas Static VAR Compensator (SVC) for system stability.

Ruacana Power Station

The Ruacana Turbine Refurbishment Project, which included the replacement of the Turbine Runners as well as upgrades to the Governors and Penstock Inlet Valves (PIVs) of Units No. 1, 2 and 3, was completed in October 2016, after the upgrades on Unit 1 were proven to be successful. The installed capacity of the power station now stands at 347 MW, translating into a total increase of 15 MW i.e. (5 MW per Unit).

The energy generated at Ruacana Power Station channelled through the grid during the 2016/2017 financial year increased by approximately 17% when compared to the previous financial year (2015/2016), mainly due to all four units being available during the high flow season (January 2017 – April 2017). The average river flow during the period under review was however lower when compared to the river flow recorded in the previous year.

***Figure 1:** Energy into the System*



Anixas and Paratus Power Stations

The construction of a new water reservoir for the Anixas Power Station was started at the beginning of 2017 and is nearly completed. The purpose of this water reservoir will be to provide water for the fire-fighting system and to act as a buffer in case water shortages are experienced in future. This will also improve the stand-by readiness of the power station.

The cooling tower radiators are experiencing degradation in performance, mainly due to galvanic corrosion. This can be attributed to the harsh and corrosive environment of the Namibian coast where the power station is located. The radiators will be replaced with a new and improved design with an increased design–lifetime.

Paratus Power Station, in operation since 1976, and located next to Anixas Power Station, was decommissioned during the 2015/2016 financial year, following the commissioning of the new Walvis Bay 132 kV Substation. The option to upgrade the power station by installing new diesel engines and switchgear in order to bring it back online is currently on-hold.

Baynes Hydro Power Project

The Baynes Hydro Power Project is a joint initiative of the Angola-Namibia Permanent Joint Technical Commission (PJTC) on the Kunene River Basin. The Techno-Economic Feasibility Study was contracted to a consortium of Brazilian companies (Cunene Consortium) and was completed in 2013. The Environmental Social & Health Impact Assessment (ESHIA) Studies were contracted to Environmental Resources Management (ERM). The ESHIA studies are at an advanced stage, with negotiations with the project affected communities still outstanding. No fatal flaws were found in the studies and the public seems to be positive about the project.

Project offices have been established in both Namibia and Angola and are tasked with managing all outstanding work in order to make the project bankable. This includes the drafting of a bi-lateral country-to-country agreement, which is currently being developed by a multi-national legal consultancy (Miranda). The bi-lateral agreement will subsequently become known as the “Baynes Treaty” and is scheduled to be completed by mid-2018. The Baynes Treaty will detail the project implementation model and relevant regulations, taking into account the bi-national nature of the project.

OUR OPERATIONS - HUMAN CAPITAL

Celebrating 20 years...

NamPower recognises that people and skills represent its biggest asset. Twenty years ago, the utility's staff complement stood at 522, with just 35 female employees.

Today, NamPower's staff complement stands at over a thousand employees, with 189 employees being female. In addition, 145 temporary workers are employed.

Staff loyalty and a high employee retention rate has for decades been synonymous with the Company, which encourages the workforce to develop skills and abilities to meet the ever-changing demands of the power generation and supply sector.

The utility has and continues to invest substantially in the development of its employees through education, training and development. The Company has, over the years, spent millions on graduate development programmes, middle management development and employees assistance programmes. In addition, there is a thriving employees' children assistance programme, aimed at financially supporting the children of its employees.

Employee Relations

During the period under review, NamPower maintained a healthy Company/ Union relationship. Very few cases were referred to the office of the Labour Commissioner for mediation and/or arbitration.

Management continuously engages the Union to address the wellbeing, benefits and concerns of employees. The Union has over the years been a major stakeholder in managing relationships and ensuring compliance with legislative matters, as well as policy implementation and application. With very minimal incidences of industrial action over the years, management continuously engages with the Union to the address the social wellbeing and benefits of employees. Through this mutually beneficial relationship, the Union has over the years played the role of partner in the achievement of overall Company goals and objectives.

Performance Management (PM)

NamPower embarked on the Performance Management System in 2008. This intervention came about in the quest to ensure that the organisation achieves its strategic objectives and that it meets the expectations of the shareholder. Since the implementation of the system, the Executive Committee has pledged to be committed to its implementation by signing a Performance Management Commitment Pledge. The utility initially designed the performance management system in-house, accompanied by an interim computerised performance management system. During the system design process and through the continuous improvement of the Performance Management System, NamPower undertook to make use of the performance management's SAP module as a tool to use for performance contracting and reviewing.

To date, the Performance Management System has cemented well within the organisation, with both management and employees adhering to performance management schedules, and the Board declaring performance rewards to incentivise good performance.

Skills Development

NamPower has embarked on the implementation of Recognition of Prior Learning (RPL), to ensure the closure of competency gaps and address the learning needs of experienced employees who do not have formal qualifications.

Future Focus Areas

Despite limited financial resources, NamPower continues advancing learning and development opportunities for employees to address the competency gaps and to develop employee skills. The utility will further intensify the development of leaders at all levels to drive the performance culture and to ensure continuous performance improvement.

NamPower Employee Data as at 30 June 2017

The workforce grew to 1075 total staff as of end June 2017 as indicated in the table below. The subsequent graphs show different employee statistics such as (i) employee diversity; (ii) average employee age; (iii) average tenure in NamPower; (iv) number of employees per grade categories; and (v) gender as per Affirmative Age categories.

	2014	2015	2016	2017
Number of Permanent Employees	890	913	939	935
Number of Employees on Contract	66	85	102	144
Total Number of Employees	956	998	1041	1079

Table 1: Staff complement 2014 - 2017

OUR OPERATIONS - HUMAN CAPITAL

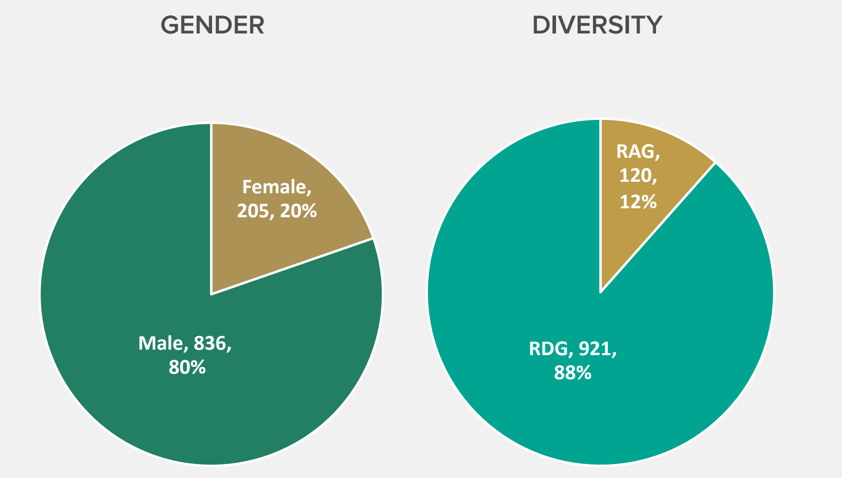


Figure 1: Employee diversity

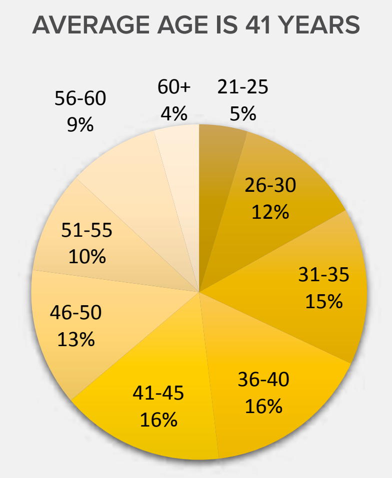


Figure 2: Average employee age

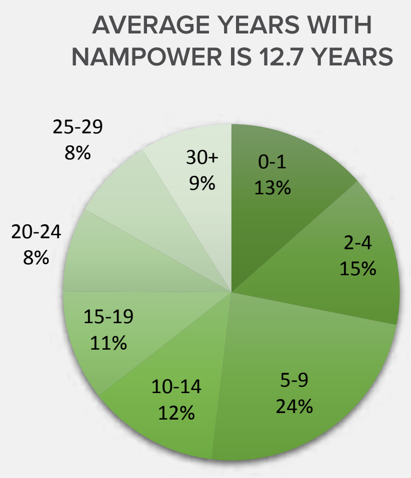


Figure 3: Average tenure in NamPower

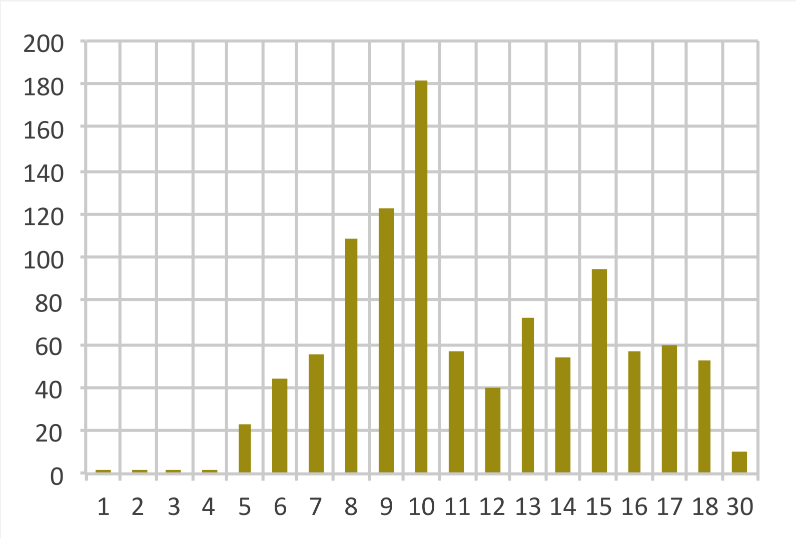


Figure 4: Number of employees per grade categories

	Female	Male	PWD
Senior Management	0	8	0
Middle Management	11	33	0
Specialised/supervisory	32	104	0
Skilled	97	256	4
Semi Skilled	11	175	0
Unskilled	28	179	0
Total Permanent	179	755	4
On Contract	33	104	0
Total	212	859	4

Figure 5: Gender as per affirmative action age categories

OUR OPERATIONS - HUMAN CAPITAL

THE AFFIRMATIVE ACTION TABLE

	RACIALLY DISADVANTAGED		RACIALLY ADVANTAGED		PERSONS WITH DISABILITIES		TOTAL		TOTAL
JOB CATEGORY	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	
SENIOR MANAGEMENT	5	0	3	0	0	0	8	0	8
MIDDLE MANAGEMENT	24	10	9	1	0	0	33	11	44
SPECIALISED/SUPERVISORY	62	31	42	1	0	0	104	32	136
SKILLED	219	85	37	12	2	2	258	99	357
SEMI-SKILLED	173	11	2	0	0	0	175	11	186
UNSKILLED	179	28	0	0	0	0	179	28	207
TOTAL PERMANENT	662	165	93	14	2	2	757	181	938
CASUAL	101	33	3	0	0	0	104	33	137
TOTAL	763	198	96	14	2	2	861	214	1075

Education, Training and Development : Vocational Training

NamPower's Education, Training and Development (ETD) Section is responsible for developing employee skills and knowledge. The Section coordinates and facilitates training programmes for employees, both in-house and externally. The Section is also responsible for ensuring that all ETD activities are accredited (quality assurance) and that the records of each employee's training or skills development are kept and updated.

NamPower's ETD Section comprises of the following sections:

- NamPower Vocational Training Centre
- Information Technology Training
- Defensive Driving and Heavy Equipment Operation
- First Aid Training
- Ad Hoc Training

The NamPower Training Centre has been in existence since 1985 when the then South-West Africa Water and Electricity Cooperation (SWAWEK) introduced vocational training for its employees. It was officially inaugurated in 1990. The utility trains artisans according to Namibia Training Authority (NTA) regulations and standards. The Centre contributes to youth development by offering two vocational training courses, namely: Electrical and Mechanical (Fitting and Turning).

The Centre maintained an excellent success rate over the past 20 years with a pass rate of +/- 95% on both core trade disciplines i.e. Electrical General and Mechanical: Fitting & Turning.

There has been an increase in the number of intakes per trade discipline per year:

- Prior to 1997: 3 x Mechanical trainees; 5 x Electrical trainees
- 1997 to 2002: 5 x Mechanical trainees; 8 x Electrical trainees
- 2002 to 2017: 5 x Mechanical trainees; 10 x Electrical trainees

The NamPower Training Centre facilitated the inaugural selection competition for the Electrical: Installation Skill for WorldSkills Namibia (NTA) in 2016. At the same time, three (3) Level 2 Electrical trainees qualified through a selection competition and attended the National Skills Namibia Competition in September 2016.

NamPower was acknowledged as a partner by the World Skills Namibia Secretariat due to the involvement of its trainees in the National Skills Competition in 2016.

In 2015, NamPower's Chief Technical Training Officer, Piet Viviers was appointed as an expert in the field and was elected to represent Namibia at the World Skills Competition in Brazil.

The winner of the National Skills Competition Level 3 trainee, Mr Tjihimise Karaerua was selected by World Skills Namibia to represent Namibia as a competitor in the Electrical: Installation skill area at the WorldSkills Competition in Abu Dhabi in 2017. NamPower has further partnered with the Namibia Training Authority (NTA) and the Namibia Qualifications Authority (NQA) for the years 2002 to 2017 to assist with the drafting of policies, unit standards, curricula, qualifications, assessment, and moderation.

The utility is one of the few public enterprise to date that was able to claim back and receive all the money entitled to is as part of the VET Levies Claim via its Education Training and Development Section.

In line with the changing technology, NamPower has moved from manual training bookings to automated online bookings via SAP ESS. NamPower also got accreditation on International Computer Driver's Licence (ICDL) as part of the IT training courses.

OUR OPERATIONS - INFORMATION SERVICES (iServ)

Celebrating 20 years....

Twenty years ago, NamPower only had five computers procured for its five secretaries, running Win 3.11 and Word Perfect 5.0. The network, which was for a period only at Head Office, later stretched between Head Office, Van Eck, and Brakwater through leased lines at 64 kbps.

Today, NamPower runs and maintains more than 100 servers and hosts a network that stretches to all its regional offices, district offices, and power stations on fibre, running speeds of up to 40 Gbps, 4 000 times faster.

The Company has consolidated all its servers and storage into a central virtual system with a very small physical footprint. One of the biggest migrations done was the implementation of the SAP ERP system that replaced the old Natural Adabas (Blue System). The SAP platform enables the Company to comply with all necessary legislation and accounting standards as well as supporting functions as unrelated as treasury and maintenance. NamPower constantly seeks to improve the user experience with innovations like the Enterprise Portal (also available to customers), Mobility (SAP Fiori) and Business Intelligence.

Another noteworthy achievement was the creation of a Disaster Protection site to protect against loss and/or disaster. Over the years, the disaster protection site was made more robust for quicker and more reliable recovery and as part of business continuity.

In the process of transforming itself into a modern organisation, NamPower continued to embrace new technologies. This saw the Company replacing the multiple stand-alone legacy applications which were outdated, with state-of-the-art integrated solutions. NamPower continues to maximise its IT system and network availability around the clock.

Furthermore, NamPower moved into the Electronic Document Records Management Project, taking control of its digital records by implementing Open Text Content Server (PowerCloud)—a tool which allows full life cycle management of digital records which were normally saved on shared and removable hard drives. The PowerCloud implementation is a first of its kind in Africa.

Information Services (iServ)

Below is the depiction of the availability levels for IT services, local area network and wide area network, during the year under review and in comparison with the previous year:

Service	2016	2017
Local Area Network	99.87%	99.78%
Wide Area Network	96.95%	98.34%
Services	99.95%	99.93%

Microsoft Windows 10 was rolled out during the year under review

From a business continuity perspective:

- The automatic failover procedures are in place for all critical systems.
- Plans are underway to implement the latest technology providing full redundancy between the main Windhoek offices.
- Additional mail servers were added to accommodate a failover to the disaster site.
- A new Disaster Recovery Policy was compiled and approved.

Major upgrades and replacements:

- The network equipment at Ruacana were replaced.
- A new point-of-sale and hotel management system were installed at Ruacana Eha Lodge.
- The core storage systems were replaced with a bigger and faster system.

Electronic Document and Records Management (e-DRM)

The Content Server and SAP xECM by OpenText (internally referred to as "PowerCloud") was officially implemented on 1 July 2016. PowerCloud is a robust, flexible and very reliable enterprise content management solution with strong analytical capabilities, used to manage unstructured data. PowerCloud presents unique opportunities to automate business process to improve efficiency.

As part of continuous improvements, an initiative to allow 24/7 remote access into PowerCloud through secure external architecture was successfully completed. Other improvement initiatives include the optimisation of Records Management Compliance (RMC) within PowerCloud to mirror the optimised file plan which will make records declaration a reality.

SAP ERP Business Applications

During the year under review, iServ concentrated on building its digital core by consolidating the available digital transformation products and optimising their use in the business process operations.

Vendor Invoice Management (VIM) – the electronic submission of supplier invoices and the automatic recognition and mapping to issued purchase orders – the process of receiving and routing the invoices for resolution, approval and payment was simplified.

Governance Risk and Compliance (GRC) – the system for management of business risks was successfully upgraded to better support the Risk ISO:31000 Standard being used in the Company.

Fiori Application – the mobility service portfolio that allows access to the Company's ERP anywhere, was upgraded to NetWeaver 7.5 and additional services were introduced.

ABRIDGED SUSTAINABILITY REPORT

ABRIDGED SUSTAINABILITY REPORT

CORPORATE SOCIAL INVESTMENT

Celebrating 20 years...

Corporate Social Investment plays a vital role in supporting a country's social development efforts. Through strategic investments and aligned strategies, contributions made by corporates often have significant impact on people's lives and communities.

NamPower prides itself on being committed to giving back to the communities in which it operates and has established a visible footprint in the social investment sphere in Namibia through its corporate social investment arm: the NamPower Foundation.

The utility has gone beyond its mandate and has undertaken to contribute towards the socio-economic development of the country.

Established in 2009, the NamPower Foundation has invested more than N$23 million in various projects and initiatives across Namibia. Most of the investments have been in kind, with some cash injections in selected projects. The Foundation aims to make a positive impact on communities by supporting projects and initiatives that have a long-term outlook and potential for sustainability, thus, uplifting communities and transforming the lives of the less privileged.

The NamPower Foundation has initially focused its funding on five areas, namely, Education, Community Development, Health and Social Welfare, Capacity and Skills Development, and Job Creation and Entrepreneurship. These have now been reduced to four for greater impact.

In addition to supporting once-off projects and initiatives, the NamPower Foundation has three flagship programmes to which it has given long-term support and has been extending funding on an annual basis. These are:

Disability Sport Namibia (DSN)

The NamPower Foundation has, since 2011, been the main sponsor of Disability Sport Namibia, which is the umbrella body of the Special Olympics Namibia and Paralympics Namibia. During the year under review, the Foundation granted an amount of N$1.4 million to DSN for the implementation of its programmes. The funding extended by the Foundation is used in the execution of various sports development programmes and also enables athletes to participate in international games. The achievement of DSN athletes internationally over the years, speaks volumes of the impact NamPower's support has had on the programmes of Disability Sports Namibia.

Medic Rush

The Foundation has, for 6 consecutive years, partnered with the Hochland Round Table 154 in support of their Medic Rush project. The Medic Rush is an annual activity that sees health care practitioners offer free consultation, health care services and medication to communities in remote and less privileged parts of the country. The doctors and nurses offer primary health care (both diagnostic and curative) services and referrals for complex cases. During the year under review, Medic Rush went to farms situated along the southern border of Etosha where primarily San communities live. Over 380 patients were attended to.

NamPower National Science Fair

NamPower has sponsored the National Science Fair since 2002. The utility has since invested millions in hosting the annual Science Fair. During the year under review, NamPower invested over N$2 million in the National Science Fair, once again proving that education receives the bulk of the NamPower Foundation's funding. The utility believes that through investments such as this, it is invaluably contributing towards Namibia's national goals, by investing in the future leaders and professionals such as scientists and engineers. The NamPower National Science Fair has accorded students from across the country the opportunity to use their innovation and creativity to develop projects in the fields of science and mathematics, among others, and to exhibit at the fair in competition with their peers. NamPower is proud to have facilitated interest in science and research through its funding of the Science Fair over the years. However, in order to offer much needed support to other equally deserving initiatives, NamPower has resolved to discontinue sponsorship of this project. Thus the utility's last sponsorship was in 2016.

With the discontinuation of the sponsorship of the NamPower National Science Fair, the NamPower Foundation has now re-directed its sponsorship towards equipping science laboratories in rural schools. This initiative will be the Foundation's newest and now third flagship project.

Of the four key focus areas of sponsorship, education still receives the bulk of the NamPower Foundation's funding. The Foundation's budget is separate from the NamPower vocational training and other tertiary education bursaries, which amount to over N$3.5 million per annum. The NamPower Bursary Programme has been in place for over a decade and is one of the largest annual contributions by a corporate entity towards education in Namibia.

In addition to NamPower's bursary scheme, the utility has been donating ICT equipment to schools across the country since the early 2000s, thus investing millions in ICT development over the years.

Furthermore, NamPower's Equitable Economic Empowerment Policy (NEEEP), which replaced the company's BEE Policy of 2004, makes sure that all tenders above N$10 million have to devote a percentage of the tenderer's profit to community investment and PDN training in Namibia. This is another way that NamPower continues to invest in the socio-economic development of Namibia.

Employee Volunteerism

PowerCare, an initiative focusing on employee volunteerism, was established in 2009, the same year the Foundation was founded. The project affords interested NamPower employees the opportunity to support the vulnerable and needy through donations and through offering their time. This initiative

ABRIDGED SUSTAINABILITY REPORT

demonstrates a sense of personal commitment from employees, in support of NamPower's corporate social investment activities. PowerCare's focus is on pre-primary education. PowerCare has, since its establishment, organised food sales and donations in aid of kindergartens across the country's 14 regions. NamPower continues to commit to matching the value of donations collected by staff on a 1:1 ratio. During the year under review, PowerCare supported 7 kindergartens in the Oshikoto Region.

The utility's corporate social investment demonstrates that the company is not only concerned with the generation of megawatts, but recognises that the country's real assets are its people. Thus, NamPower pledges to continue to invest in our people and communities - for as long as resources are available.

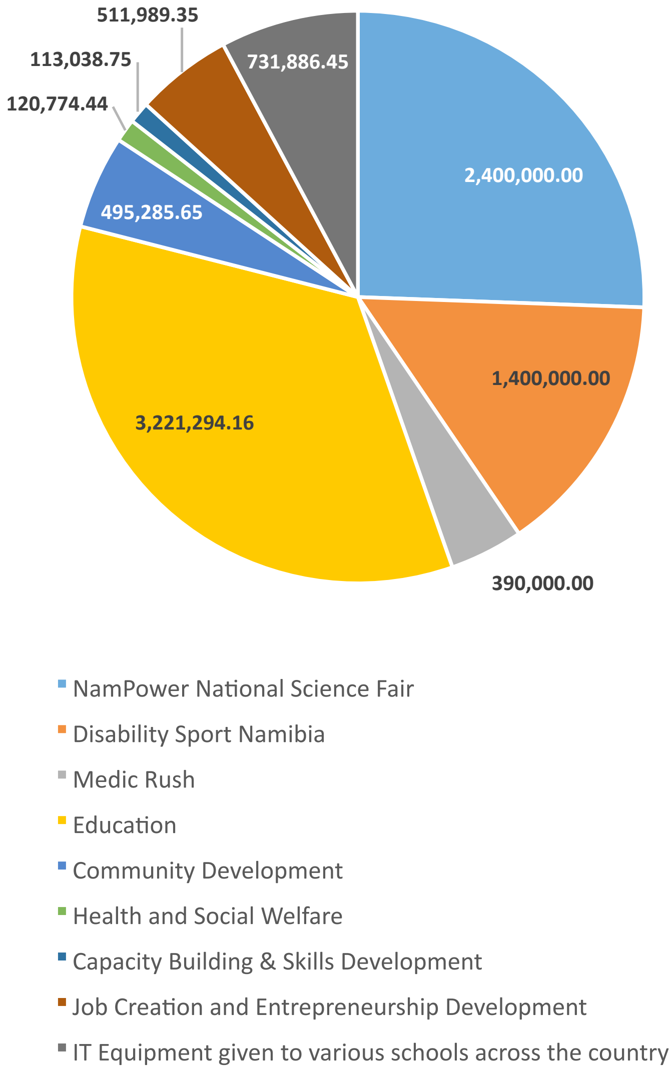
ABRIDGED SUSTAINABILITY REPORT

CORPORATE SOCIAL INVESTMENT

Corporate Social Investment for the year under review

Category	July 2015 – June 2016		July 2016 – June 2017	
	Number of Projects	Amount N$	Number of Projects	Amount N$
Grants for Flagship and national programmes:				
NamPower National Science Fair	1	2,300,000.00	1	2,400,000.00
Disability Sport Namibia	1	1,200,000.00	1	1,400,000.00
Medic Rush	1	150,000.00	1	390,000.00
TOTAL		**3,650,000.00**		**4,190,000.00**
Focus areas:				
Education	21	2,495,651.00	27	3,221,294.16
Community Development	8	313,408.00	11	495,285.65
Health and Social Welfare	1	59,762.00	4	120,774.44
Capacity Building & Skills Development	2	87,999.00	5	113,038.75
Job Creation and Entrepreneurship Development	0	0	5	511,989.35
IT Equipment given to various schools across the country	0	0	21	731,886.45
TOTAL	**32**	**2,956,820.00**	**73**	**5,194,268.80**

Amount spend per focus area and national projects



ABRIDGED SUSTAINABILITY REPORT

NamPower Bursary Scheme

NamPower maintains a bursary scheme that supports 194 students. Of these, 52 students are external, while 129 are employee dependants who are financially assisted by the company. Thirteen (13) employees are studying through company study grants.

Number of Bursary holders 2017

Beneficiary	Female	Male	Total
Dependant Scholarship	78	51	129
External Bursaries	19	33	52
Employee Study Grants	4	9	13
Total	101	93	194

The cost per student is on average N$75 thousand per year. The majority of external students are studying Science and Technology, with emphasis on different disciplines in the engineering field. NamPower spent approximately N$10 million on bursaries in the year under review.

SAFETY, HEALTH, ENVIRONMENT AND WELLNESS (SHEW)

Safety

Lost Time Injuries (LTIs) were experienced during the first half of the year under review. Three motor vehicle accidents were recorded, with fatalities.

Highlights/Progress

At least 33 safety, health and environmental inspections were conducted during the reporting period. Risk assessments form an integral part of the safety management system and as a result, 10 risk assessments were conducted. A number of in-house trainings were conducted.

In-House Trainings and Inductions

The courses below were conducted during the year under review and were attended by the number of employees as indicated next to the course:

- Emergency Preparedness Training – 43
- Personal Protective Equipment – 16
- Office Health and Safety – 7
- Safety, Health and Environment Representative – 24
- Hazard Identification & Risk Assessment – 45
- Ladder Safety Management – 10
- Safety Induction – 72

Environmental Impact Assessments (EIA)

A number of Environmental Impact Assessments were conducted to enable the company to apply for Environmental Clearance Certificates from the Ministry of Environment and Tourism (MET). Some of the environmental impact assessments were done by external consultants, while others, for existing substations and power lines, were conducted by the internal environmental section. NamPower submitted a number of Environmental Management Plans as part of its application for environmental clearance certificates to the MET, and the following documents were also included:

- Scoping Report and Operational Environmental Management Plan for the Operation of Grootfontein Substation
- Scoping Report and Operational Environmental Management Plan for the Operation of Okatope Substation
- Scoping Report and Operational Environmental Management Plan for the Operation of Aussenkehr Substation
- Arandis Concentrated Solar Power Environmental Impact Assessment
- EIA for the proposed 132 kV Transmission Power line from Khurub Substation to Aussenkehr Substation.
- Environmental Clearance Certificate renewal for the construction of power lines from Kudu Gas Power Station Plant at Uubvlei to Oranjemund and Obib.

ABRIDGED SUSTAINABILITY REPORT

Environmental Inspections/Audits

NamPower conducts audits to determine whether or not contractors are in compliance with the Environmental Clearance Certificate issued by the Ministry of Environment and Tourism as per the Environmental Management Act, Act 7 of 2007 and the Environmental Impact Assessment Regulations. Regular inspections are also conducted to determine if there are any deviations.

The following sites/projects were inspected: Gobabis Substation, Kokerboom Substation, Hippo Substation, Kunene-Omatando 400 kV Line, Aussenkehr Substation, Lithops Substation, Khan Filter bank, Mulunga Substation, Sarberg Substation, Otjikoto Substation, Schlankopff Substation, Karibib Substation, Osona Substation, Grootfontein Substation, Bokomo Substation and Shiyambi Platform.

Environmental inspections were also conducted at Brakwater and Van Eck Power Station. The focus of the inspections was on chemical use and handling, and spill management. The non-conformances observed were mainly the use of chemicals without material safety data sheet; unlabelled chemicals; improper storage and stacking of chemicals; and chemical spillages. Environmental inspection reports detailing the non-conformances and recommended corrective actions were compiled and sent to respective area supervisors for implementation.

Waste Management

Proper waste management is of outmost importance at any institution, as it prevents hazardous materials from contaminating the environment and safeguards the health of the employees and the community. Environmental inspections focusing on waste management were conducted at Brakwater Salvage Yard, Ruacana and Van Eck Power Stations. 80% of the non-conformances observed at Van Eck Power Station were rectified and efforts from the operational team were commendable. Since this is a continuous process, there is room for improvement and continued effort is required to maintain the standard.

Polychlorinated Biphenyls (PCB) Project

Approximately 1.7 million tonnes of Polychlorinated Biphenyls (PCBs) were produced worldwide between 1929 and 1989 and a lot of the equipment containing PCBs is still in use somewhere, or stocked awaiting final disposal. Once PCBs are released into the environment they do not break down, they remain in the environment and get absorbed by plants and animals, travel over long distances and continue to pose health risks to humans.

The Stockholm Convention, of which Namibia is a signatory requires that all equipment containing concentrations of PCB above 0.05% be phased out by 2025 and all PCB be subject to Environment Sound Management (ESM) for final disposal by 2028. This project aims to contribute to attaining this Convention requirement, through organizing the countries in Southern Africa, and achieving the ESM of PCB and destruction of the Persistent Organic Pollutant (POP) content in the oil and equipment's.

The entire PCB project includes the following stages before it can be disposed of: Taking inventory of all electrical equipment which contains insulation oil such as transformers, capacitors, breakers, current transformers, voltage transformers, etc. NamPower has already embarked on the inventory and there are currently 6592 equipment. 64 oil samples were taken and sent for laboratory analysis. Information for about 400 equipment at Brakwater transformer yard was collected. The information will be used to check if all the transformers at Brakwater are captured in the inventory and those that are not captured will be entered into the inventory. The process will continue until all the equipment are confirmed and new ones captured. There are 92 transformers with "sell as scrap" stickers on at Brakwater Scrap Yard that are awaiting to be sold as scrap.

Environmental Networking

NamPower/Namibia Nature Foundation (NNF) Partnership

NamPower and the Namibia Nature Foundation (NNF) have entered into a partnership agreement to assess the impact of animals on power lines. This was made possible with funding by the European Investment Bank (EIB). Since 2008, NamPower and the NNF have, therefore, been co-operating in a strategic partnership with the aim of creating an enabling environment for NamPower to realise its objectives on environmentally-sustainable electricity transmission/distribution and development. The objectives of the four projects are directly related to a dynamic action plan and are as follows:

Conduct power line surveys/monitoring

- An incident reporting database has been implemented, to store data on power line incidents.
- The Partnership has also initiated dedicated power line monitoring surveys in collaboration with NamPower and other partners, and incident reporting has increased with increased awareness.
- A total of 630 mortalities on power line structures has been recorded from 2009-2016 and mainly bird species are involved, as well as two mammal species.

Conduct research on focal species

- A research monitoring project is being conducted to reduce the impacts of bustard collisions;
- Flamingos have been tracked by satellite to investigate their flight paths; and
- NamPower has developed effective mitigation in the form of "dummy poles" for nesting problems caused by sociable weavers that result in ongoing outages.

Implement effective mitigation

- Sensitive sections of new power lines are being mitigated according to standard EIA procedure and the effectiveness of mitigation is being monitored and is showing positive results;

ABRIDGED SUSTAINABILITY REPORT

- Further priority areas on existing power lines are being targeted for collision mitigation; and
- Recommendations are also being made for the mitigation of electrocution incidents.

Promote awareness, education, communication and collaboration

- Newsletters, media releases, journal articles and other items have been published, scientific and popular presentations are made regularly, and a project website is maintained *(http://www.nnf.org.na/project/nampowernnf-partnership/ 13/5/5.html)*;
- Awareness and communication have been promoted by means of a country-wide series of 13 training/awareness workshops for NamPower staff and other electricity supply stakeholders (139 participants), as well as 10 general workshops (143 participants) including one on best practice for wind energy developments. Follow-up workshops are in progress;
- The Partnership encourages communication, information sharing and collaboration with other local partners in Namibia, including the Electricity Control Board (ECB), Regional Electricity Distributors (REDs) and independent power producers, environmental sections of mines, the Ministry of Environment and Tourism, Environmental Assessment Professionals of Namibia (EAPAN), and airport authorities. In addition, the partnership has made inputs into the National Energy Policy and National Renewable Energy Policy;
- Ongoing communication is also promoted with international partners and scientific advisors, including the Eskom/EWT Strategic Partnership and its Wildlife & Energy Programme, including BirdLife South Africa; and
- An Environmental Information Service (EIS; *www.the-eis.com*) has been developed and includes a free online "one-stop-shop" information resource for Namibia, currently with almost 14,000 data sets. It includes "Birds and Power Lines Tool" for overlaying different features to produce a composite map showing hotspots as a dynamic aid to planning.

The NamPower/NNF Strategic Partnership hopes to continue with these activities, while expanding its scope to keep pace with newly developing technologies, particularly in the field of renewable energy.

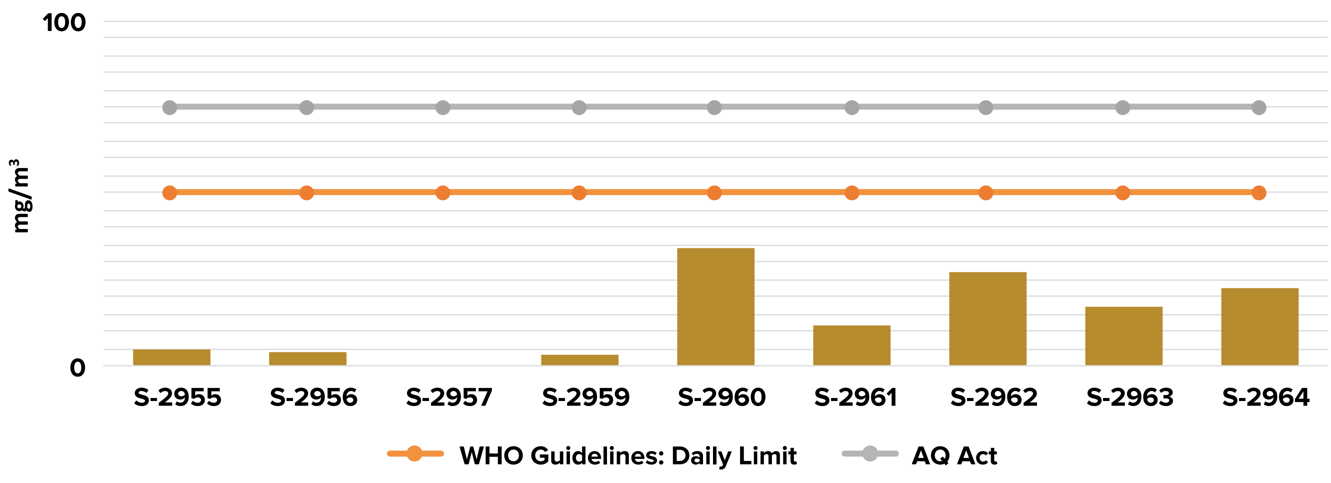
Environmental Health

Air Quality (AQ)

An Air Quality Monitoring Programme has been implemented as per the recommendation of Airshed planning professional's at the end of the Van Eck baseline air quality study. It was recommended that a monitoring station for Sulphur Dioxide and Particulate Matter (PM10 and PM2.5) concentrations be established downwind and directly west of the power station. This was informed by predominant wind directions as well as the simulated impact areas due to the power station operations.

Passive diffusers (PD samplers) are placed at various sampling sites around the power station to monitor for Sulphur Dioxide (SO2) and Oxides of nitrogen (NO2). Sampling frequency of two months is required as the passive diffusers need to be exposed for a duration of ±30 days. A PM Sampler is located at the NamPower Training Centre to monitor ambient dust from the power station.

PM_{10} Concentration - March 2017



ABRIDGED SUSTAINABILITY REPORT

Water Quality

Ongoing surface water quality monitoring is conducted at Van Eck Power Station, the Brakwater Depot and Ruacana Power Station.

Surface water quality on the Kunene River is still good compared to the two other monitoring areas (Brakwater and Van Eck). The presence of other activities around Van Eck Power Station such as storage facilities and scrap yard contributed to the poor water quality on the Klein Windhoek River.

River water is used by the nearby communities for various purposes, such as irrigation, cooking and human consumption. The monitoring points for Ruacana Power Station include parameters such as faecal coliforms that indicate the presence of untreated sewerage in water. Faecal coliforms were present at all the sampling sites, the highest level of faecal coliforms being 92.0 MPN/100 mL above the Namibia effluent quality standards at the sampling point downstream of the power station. The presence of faecal coliforms at the point upstream of the station indicates the potential of domestic sewerage contamination on the Angolan side. Fat, oil and grease (hydrocarbons) content at all the sampling points exceeded the Namibia effluent water quality standards. The sampling point upstream of the power station had an average value of 4 mg/l, the one immediately downstream of the plant, 5.3 mg/l and the one further downstream had an average of 7.0 mg/l compared to the set limit of 2.5 mg/l by Namibia effluent quality standards.

Asbestos Monitoring Project

Asbestos monitoring was done at ANIXAS Power Station garage during December 2016, where employees were moved from the Paratus Power Station which is currently decommissioned. The aim of this project was to establish the levels of airborne asbestos fibre which might pose a health hazard to employees. The recommended sampling time for asbestos is four hours for static samples; too much nuisance dust would overload the sample and analysis would not be possible. All the 6 samples were found not to contain any regulated asbestos fibres.

Occupational Hygiene Monitoring was done by an external consultant with the removal of an asbestos roof at the New Castle Regional Office. This was done to ensure that no asbestos fibres are airborne during the dismantling process. The asbestos sheets were dumped in a safe manner at the Kupherberg Hazardous Waste Disposal Site. The work plan for the removal of the asbestos sheets was submitted to the Ministry of Health and Social Services for approval before removal of the asbestos sheets

Wellness

Wellness Screening campaign

The annual Wellness Screening Campaign, which included prostate and HIV/AIDS voluntary counselling and testing, was conducted throughout the company. The campaign is aimed at creating awareness, early identification of health risks, and encourage behaviour modification and health seeking behaviour amongst employees. At least 75% of employees took part in the campaign. The top three prevalent health conditions identified amongst employees were BMI (Body Mass Index), High Blood Pressure and High Cholesterol Levels. All employees with identified health risks were referred to their family doctors for further treatment and management of their conditions as these conditions were not work-related. NamPower can rely on the findings of the campaign to introduce feasible interventions to reduce health impact amongst the employees.

Blood Donation Clinics at NamPower

NamPower employees support and partake in the regular blood donation clinics that are conducted by the Namibia Blood Transfusion Services. A total of 234 blood units were collected during this reporting period which can potentially save 702 lives.

Wellness Awareness sessions

Nineteen (19) wellness sensitisation and awareness sessions were conducted at NamPower's Windhoek-based offices in an attempt to create awareness on the role of the Wellness Programme and the services that are offered. A total number of 250 employees was reached during the campaign. The Wellness Section is assisted by peer educators in carrying out their campaigns and disseminating information.

Health

NamPower has two clinics, one at Ruacana and the other at Van Eck Power Station. The clinics are registered with the Ministry of Health and Social Services, whilst the Occupational Health Nurses are registered with the Nursing Council as well as with Namibia Association of Medical Aid Funds, NAMAF. Registration with NAMAF enables the nurses to claim back from the Medical Aid for those employees seen at the clinics. The Occupational Health Nurses have seen a total of 1072 employees at the clinics for curative services. Ruacana Clinic is also offering services to the dependants of employees staying at Ruacana.

NamPower has contracted the services of ENA Occupational Health Services as the company's occupational medical practitioners. They are responsible for pre- and exit medical examinations as well as periodic medical examinations. They have examined a total of 515 employees. Employees suffering from permanent illnesses are also referred to the company doctors for medical examinations to determine if an employee is fit to continue with his/her duties or be transferred to another position or declared medically unfit. The two occupational health nurses are responsible for primary health care and they are also assisting the company doctors during the periodic medical examinations referred to Sanlam.

NamPower is proud to announce that the company also took part in the Measles and Rubella Campaign in conjunction with the Ministry of Health and Social Services (MoHSS) and have injected a total of 330 employees as part of the campaign. The injections were supplied by the (MoHSS). NamPower, as part of its services to employees, also carried out a flu campaign and attended to 377 employees and dependants.

RURAL ELECTRIFICATION

N$40 million and N$21 million was spent on rural electrification projects funded by NamPower and the European Investment Bank (EIB) respectively. This manifests NamPower's commitment to the Government's strategies such as the Harambee Prosperity Plan (HPP), Fifth National Development Plan (NDP5) and Vision 2030 Strategy and Plan.

As in previous years, 70% of the budget was allocated to areas where Regional Electricity Distributors (REDs) are operative, with the resulting infrastructure being donated by NamPower to these REDs. The remaining 30% was allocated to areas without REDs, and the consequent infrastructure is capitalised on NamPower's balance sheet. The demarcation factor stems from the fact that there is greater demand for rural electrification in the former areas, as most public institutions (the Government's main focus in truly remote areas) have by now already been electrified. The 30% spent in areas without REDs, has mostly gone towards the construction of backbone power lines. NamPower follows a region-based approach in order to ensure fair distribution of its overall rural electrification budget.

In addition to the funds made available from NamPower's own balance sheet, there is a separate rural electrification budget funded by the European Investment Bank (EIB).

The rural electrification budget spent for 2016/17 financial year per region is depicted in Table 1 and Table 2 below. It is however worth noting that some of the projects are rolled over from the previous financial year (2015/16):

Table 1: NamPower funded Rural Electrification Projects per Region

NamPower Funded Rural Electrification Projects per Region	Expenditure (N$)
Hardap	2,791,063.00
Karas	7,330,248.00
Kavango East	3,024,835.00
Kavango West	3,797,965.00
Kunene	713,516.00
Ohangwena	5,278,616.00
Omaheke	3,716,370.00
Omusati	4,433,263.00
Oshikoto	5,411,309.00
Zambezi	3,583,798.00
TOTAL	40,080,983.00

Table 2: EIB Funded Rural Electrification Projects per Region

Region	Expenditure (N$)
Ohangwena (EIB funded)	7,105,213.00
Omusati (EIB funded)	14,564,279.00
TOTAL	21,669,492.00

ABRIDGED SUSTAINABILITY REPORT

EMPOWERMENT

NamPower commitment to NEEEP

NamPower has embraced and remains committed to the empowerment of enterprises owned by Previously Disadvantaged Namibians (PDNs) - small, medium and large enterprises. This undertaking is in conformity with the NamPower Equitable Economic Empowerment Policy (NEEEP). Evidently, the introduction of NEEEP played a pivotal role which saw the dramatic increase in the number of PDN-owned enterprises which participated in NamPower's procurement activities. It has also improved the lives of previously disadvantaged Namibians through self-employment thereby contributing to economic development through job creation.

NamPower is cognisant of the fact that despite such achievement, a lot still needs to be done in order to broaden the participation of PDNs in NamPower procurement activities and in particular in high level tenders. This will help with meeting and possibly exceeding NamPower's corporate target and take the participation of NEEEP enterprises to a meaningful level.

Implementation of the Public Procurement Act

NamPower met its corporate target set for NEEEP during the financial year 2015/2016. However, with the implementation of the Public Procurement Act, Act 15 of 2015 on 1st April 2016, the statistics on NEEEP reduced significantly. This situation is attributed to the fact that many tenders and quotations received after the implementation date had to be cancelled and new tenders and quotations were consequently re-advertised to conform with the provisions of the new Public Procurement Act.

Review and Alignment of NEEEP

In addition to the above, the implementation of the Public Procurement Act requires NamPower to align its procurement protocols, namely, the NamPower Procurement Policy and NEEEP with the Public Procurement Act as well as with the national empowerment framework, NEEEF, (NEEEF is not a policy yet) respectively. The review process of the said documents is in progress.

In conformity with best practices and corporate governance, NamPower is also required to disclose its procurement activities in its Annual Financial Statements, thus disclosing amounts spent on PDN procurements which is in compliance with the NamPower Equitable Economic Empowerment Policy.

Below are the statistics of PDN procurement spent during the period under review as compared to expenditure spent on non-PDN procurement.

PROCUREMENT SPENT ANALYSIS 2016/17	AMOUNT (N$)
Total Previously Advantaged Namibians (PAN) Spent	641 291 982.72
Total Previously Disadvantaged Namibians (PDN) Spent	248 731 059.23
TOTAL SPENT	890 023 041.95

The 2016/2017 statistics when compared to the statistics of 2015/16 show a significant reduction which can be attributed to the cancellation of tenders and quotations for not meeting the implementation date of the Public Procurement Act.

CORPORATE GOVERNANCE

NamPower is committed to achieving high standards of corporate governance. The Board has developed self-governance principles over the years which are applied transparently and consistently.

The Board also recognises that compliance with legislation is an important component of good governance. In this regard, the Directors are satisfied with actions that management has taken to ensure compliance with all relevant legislation.

Full compliance has not been possible with respect to certain provisions of the Public Enterprises Governance Act 2 of 2006. Management continues to engage the Public Enterprises Ministry with the aim of achieving full compliance. The discussions are aimed at ensuring that full compliance does not negate achievements already attained prior to the Act becoming effective.

The Group continues to apply and comply with the provisions of the Companies Act and its internal governance procedures in directing and managing the business. Certain exceptions within the Public Enterprises Governance Act 2 of 2006 were also processed. The matters dealt with through the company's internal governance procedures and subject to the Board's approval include development and implementation of the company's strategic and financial plan, determination and approval of the remuneration of the Board and senior management and management of the company's investment portfolio.

NamPower has long set the standard for corporate governance among public enterprises in Namibia, and continues to treat this responsibility with the same seriousness and commitment it brings to the task of powering the nation.

The governance hierarchy begins at the top with the Ministry of Mines and Energy as representative of the company's sole shareholder, the Government of the Republic of Namibia, then comes the Board of Directors, appointed by the shareholder; with Directors further dividing a portion of their responsibilities among themselves through four committees established to assist the Board (Audit and Risk Management; Remuneration and Nomination; Investment; and Board Tender); and finally senior management, under the supervision of and accountable to the Board.

The Board is the highest body with fiduciary responsibilities to the Company. Through regular meetings, the Board monitors management and stakeholder engagement and discharges key functions of overall strategic direction and control. The Board regularly re-examines and modulates as necessary the company's vision, mission, values and broad trajectory. It appoints, delegates authority to, and holds the Managing Director accountable for his/her performance ensuring the integrity of the annual financial statements and integrated reporting. The Board faithfully discharges through its constituent members both its own responsibilities and those of its committees in an exemplary manner.

MANAGING OUR RISKS

RISK MANAGEMENT

NamPower's risk management framework is based on the ISO 31000: 2009 Risk Management Principles and Guidelines, focusing on identifying and mitigating strategic and operational risks that have a significant impact on the core function of NamPower, which is to ensure the security of supply. Risk management forms part of the utility's strategic focus, adding value through risk optimisation, by identifying threats and opportunities.

Strategic risks are tracked and reported at Executive level as well as at Board level through the Board Audit and Risk Management Committee on a quarterly basis. To enrich the risk-based thinking culture, there is continuous training, interaction and knowledge sharing taking place among employees in all business units and at all levels. NamPower seeks to continuously improve risk management as it forms an integral part of the Strategic Corporate Scorecard, which is used to measure the entity's annual performance.

Achievements

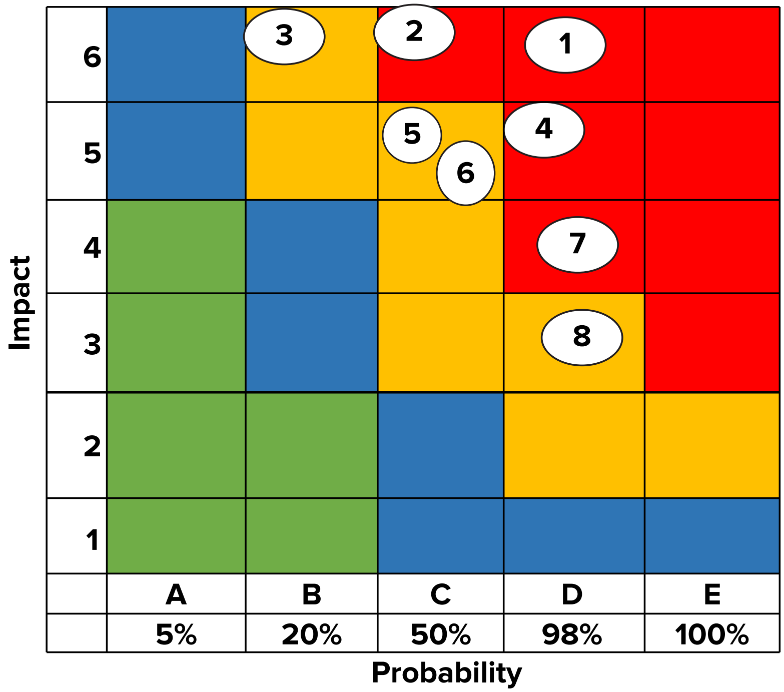
It is worth noting that with the implementation of the Integrated Management System (IMS) on three standards, namely ISO 9001, ISO 14001, ISO 45001 and the PASS 55, the level and appreciation of risk management in NamPower has increased significantly. We aim to enhance risk management capability at all levels to assist the Business Unit Risk Champions in identifying and implementing mitigating risk actions.

Future Outlook for Risk Management

With the increased concern of cyber-security in the world, Sub-Saharan Africa recorded the highest exposure to cyber incidences. Most forms of attacks recorded are virus and worm infestations, email-based phishing attacks and wire transfer fraud. This also presented a challenge to NamPower to ensure that our operating systems are resilient enough to detect and deter cyber-attacks.

Corporate Risk Status

Below is a risk matrix as at June 2017 representing the top 8 strategic risks as identified. This is recorded and tracked through the Corporate Risk Register and also recorded on the Governance Risk and Compliance System.



High-level strategic risks:

1. New market model (modified Single-Buyer model)
2. Non-Implementation of generation capital projects
3. Inability to meet electricity demand
4. Cost/accessibility and security of funding
5. Slow implementation of Business Continuity Management (BCM)
6. Project risk register
7. Limited capacity and skills
8. High cost of electricity supply

FINANCIAL PERFORMANCE OVERVIEW

FINANCIAL PERFORMANCE OVERVIEW

The company concluded another financial period marked with consistent availability of power to our customers during the financial year under review. In light of this, NamPower's mandate as a supplier of last resort balanced all available supply options in order to make electricity available at all times. This remains our guiding principle in our dealings with our counterparts within the region as we believe that the impact of load shedding on the economy far outweighs the import prices at which electricity is availed.

Namibia will remain dependent on imported electricity and will continue to be influenced by other utilities until such a time that the company puts up new generation sources in the country, supplemented by independent power producers. In the meantime, NamPower continues to focus on delivering on its mandate of ensuring security of supply amidst the challenges.

Group revenue increased by 16% (2016: 12%) from N$5.0 billion in the previous year to N$5.8 billion for the year under review. The increase is primarily driven by the annual tariff increase of 16.71% and increase in sales volumes. In 2013, the Ministry of Mines and Energy introduced a Long Run Marginal Cost (LRMC) Levy to avoid future price shocks to the Namibia consumer. Included in the 2013/2014 tariff increase is a LRMC levy of 2.54 cents/kWh.

The 2016/2017 tariff did not include the LRMC Levy. In line with the directives from the Electricity Control Board, the LRMC Levy is ring-fenced in the books of the company and can only be utilised with the approval of the Regulator. It is thus included in the deferred revenue and as at the reporting date amounted to N$127 million.

Electricity sales volumes increased by 3.7% (2016: 3.6%) from 4 008 GWh achieved in 2016 to 4 157 GWh in 2017. Maximum demand decreased from 667 MW experienced in June 2016 to 661 MW in June 2017, a decrease of 0.9%. The decrease in maximum demand is attributed to a very mild winter experienced in Namibia during the financial year under review compared to the previous year. NamPower did however see a change in energy demand which can be attributed to customers' initiatives of switching to renewable energy sources such as solar water heating and the installation of rooftop solar photovoltaics. The combination of these factors contributed to a decrease in the maximum demand.

During the 2016 financial year, NamPower concluded 14 new Power Purchase Agreements (PPA) with Independent Power Producers (IPP) - 5 MW each in the renewable energy sector. One of the IPPs (Hopsol Power Generation) started generating in June 2016, while two others (Osona Power Energy and METDECCI Energy Investment) started feeding into the system during the year under review and are included in the units into the Namibian system. The other eleven IPP's are expected to become fully operational during the 2018 financial year.

The gross profit margin increased to 46% compared to 28% achieved in 2016, driven by a decrease in the cost of electricity. The cost of electricity decreased by 13% from N$3.6 billion to N$3.1 billion for the year under review. The following factors contributed to the lower cost of electricity during the 2017 financial year: good rainfall experienced during the year improved the water flow into the Kunene River and a consequent increase in dispatching the local, cheaper hydropower generation plant, Ruacana Power Station, which is NamPower's flagship power station; NamPower concluded a five-year Power Purchase Agreement (a Rand-based agreement) with Eskom effective 1 April 2017; and the strengthening of the Namibian Dollar against the US Dollar for the period under review.

The company continues to rely on regional trading partners to meet the country's energy demand. Of the total 4 610 GWh units of electricity into the Namibian system during the year under review, 63% (2016: 68%) was imported from the region. This situation is not likely to change in the medium term, thus serving as a strong justification for all role players to redouble their efforts in developing the country's own base load power plant, with sufficient capacity to meet the country's current and projected electricity requirements.

Other income for the Group increased by 21% from N$77 million to N$93 million for the year under review. Included in other income is income from fibre optic rentals and property rentals. The government grant income accrued N$57 million (2016: N$59 million), of which N$50 million is in respect of the tariff support from the National Energy Fund (NEF) and N$7.1 million for the power station subsidy. These are also included under other income.

In 2010, the shareholder made a commitment for a subsidy amounting to N$250 million towards the construction of the ANIXAS emergency diesel power station in Walvis Bay. Of this grant, N$39.8 million has been recognised as income, while the remaining N$211 million will be recognised on a systematic basis over the useful life of the power plant.

Other operating expenses decreased by 7% (2016: 28% increase) during the year under review, as a result of delays in the company's procurement activities. The decrease is as a result of a decrease in operating expenditure, and the slow implementation of projects. The commencement of the Public Procurement Act on 1 April 2017, which required a complete overhaul of our procurement processes and policies to ensure alignment with the Act also contributed to the reduction in the company's expenditure for the year under review.

Repair and maintenance of transmission networks and power stations remain a core activity of the company and ensure that assets remain reliable in delivering power to the nation. These activities will continue to have a material impact on the company's operating expenses.

Investment income for the year increased by 24% (2016: 22%) from N$542 million to N$673 million for the year under review. Namibia's prime interest has held steady at 10.75% for the 2017 financial year. The increase in the average investments held and the fact that there was no exceptional expenditure on capital infrastructure during the period under review resulted in an increase in investment income.

The next few years are expected to be characterised by major capital outlays, mainly in respect of expanding generation capacity and upgrading the transmission backbone system from a 220kV system to a 400kV system. As such, investment income is expected to decrease correspondingly.

FINANCIAL PERFORMANCE OVERVIEW

It is NamPower's policy to hedge committed foreign exposure. Changes in the market conditions, especially the exchange of the Namibian Dollar against major trading currencies (USD, Euro and British Pound) impacted profitability as follows:

- Net fair value loss on derivatives and foreign loans of N$127 million (2016: N$95 million);
- Net fair value gain on embedded derivatives on Power Sale Agreements and Power Purchase Agreements of N$195 million (2016: N$105 million loss); and
- Net foreign exchange loss N$16 million (2016: N$119 million gains)

The Group made a profit before tax of N$1.4 billion compared to a loss of N$526 million in 2016. The depreciation charge for the year, amounting to N$789 million (2016: N$735 million) was recognised in arriving at the profit before tax. Following a year of a tax loss position, NamPower was liable for N$389 million current tax for the year under review. Group profit after tax amounted to N$1 billion comparing to a loss of N$296 million incurred in the prior year.

Net cash generated from operating activities increased from N$430 million in the previous year to N$1.6 billion. This improvement is as a result of a decrease in cost of electricity and the decrease in operating expenditure during the year. Capital expenditure for the Group amounted to N$725 million (2016: N$503 million) for the year under review. Total assets for the Group increased to N$31 billion from N$30 billion in the previous year.

The shareholder continues to extend its support towards NamPower, without which the delivery of the company's mandate would be difficult if not possible. NamPower supports the country's vision to become an industrialised country by the year 2030. The Fifth National Development Plan (NDP5) and the Harambee Prosperity Plan (HPP) set out clear targets that must be achieved, which include an emphasis on the availability, reliability and affordability of power supply as a game changer to promote economic growth and improve the standard of living of citizens.

NamPower as the national power utility remains focused, and will take advantage of opportunities that guarantee security of supply to meet the electricity needs of its customers, fulfil the aspirations of its staff, while meeting the expectations of stakeholders. As articulated in the Harambee Prosperity Plan - "there should be no load shedding." NamPower, being a major role player in the socio-economy chain of the country, has recommitted itself to ensure secure and reliable power supply to the country now and for years to come.

Annual Financial Statements

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the consolidated and company Annual Financial Statements ("Financial Statements") of Namibia Power Corporation (Proprietary) Limited, comprising the Statements of Financial Position at 30 June 2017, and the Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the Year then Ended, and the Notes to the Financial Statements, which includes a summary of significant accounting policies and other explanatory notes, and the Directors' Report, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of Namibia.

The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the consolidated and the company, to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the Consolidated and Separate Financial Statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of Consolidated and Separate Annual Financial Statements

The Consolidated and Separate Financial Statements of Namibia Power Corporation (Proprietary) Limited, as identified in the first paragraph, were approved by the Board of Directors on 10 November 2017 and signed by:

K NDILULA
CHAIRPERSON

K S. HAULOFU
MANAGING DIRECTOR

INDEPENDENT AUDITOR'S REPORT

To the member of Namibia Power Corporation (Proprietary) Limited

Opinion

We have audited the Consolidated and Separate Financial Statements of Namibia Power Corporation (Proprietary) Limited and its subsidiaries ("the Group") set out on pages 92 to 199, which comprise the Consolidated and Separate Statements of Financial Position as at 30 June 2017 and the Consolidated and Separate Statements of Comprehensive Income, the Consolidated and Separate Statements of Changes in Equity and the Consolidated and Separate Statements of Cash Flows for the Year then Ended and Notes to the Consolidated and Separate Financial Statements, including a summary of significant accounting policies and the Director's Report.

In our opinion, the Consolidated and Separate Financial Statements present fairly, in all material respects, the Consolidated and Separate Financial Position of the Group as at 30 June 2017 and its Consolidated and Separate Financial Performance and Consolidated and Separate Cash Flows for the Year then Ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of Namibia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Public Accountants' and Auditors' Act 1951 (as amended) ("PAAB Act") and the independence requirements applicable to performing audits of financial statements in Namibia.

We have fulfilled our other ethical responsibilities in accordance with the PAAB Act Code of Ethics and the ethical requirements applicable to performing audits of financial statements in Namibia. The PAAB Act Code of Ethics is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

The key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the Consolidated and Separate Financial Statements of the current period. This matter was addressed in the context of our audit of the Consolidated and Separate Financial Statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on this matter.

Independent Auditor's Report (continued)

Key audit matter	How the matter was addressed in the audit
Valuation of embedded derivatives	
The Group enters into agreements to purchase and supply electricity, known as Power Purchase (PPA) and Power Sale Agreements (PSA). Revenue from these contracts is linked to United States Dollars and United States production price indices which give rise to embedded derivatives.	Our audit procedures were designed to test the Group's valuation models and included:
At year-end, the carrying amount of the embedded derivative assets and liabilities was N$3 million (2016: N$61 million) and N$128 million (2016: N$381 million) respectively. The valuation of the embedded derivatives is complex and the assumptions used in the valuation are subjective. The contracted electricity price used to value the derivatives is based on a combination of factors over the contract period. Forecast sales volumes are based on the most likely future sales volumes which have been back-tested against historic volumes.	•Tested design and implementation of the relevant controls. • Involvement of Deloitte derivatives experts to review and challenge the appropriateness of the valuation models and assessing the inputs in the model against independently verifiable market data.
The fair value of the embedded derivatives takes into account the inherent uncertainty relating to the future cash flows of the embedded derivatives, such as liquidity, model risk and other economic factors as disclosed in note 29.8 of the consolidated financial statements. The volatility of the variables impacting embedded derivatives have a significant impact on the financial position and performance of the Group.	• We challenged the key assumptions used in the valuation models. • We reviewed the provisions of the PPA and PSA agreements to assess the appropriateness of the valuation assumptions applied for these.
	• We reperformed the calculations of the models to ensure accuracy of the valuations.
	• We also assessed the adequacy of related disclosures in the Consolidated Financial Statements in line with IFRS 7 Financial Instruments disclosure requirements.

Key audit matter	How the matter was addressed in the audit
Frequency of revaluation of property, plant and equipment	
The Group's property, plant and equipment is carried at depreciated replacement cost. The valuation of property, plant and equipment is determined from market-based evidence by appraisals undertaken by professional valuers as disclosed in note 4(i) of the consolidated financial statements. Revaluations are performed every five years. The last revaluation was performed in the prior year and resulted in a significant increase in the carrying amount of property, plant and equipment through a N$6.2 billion revaluation surplus.	Our audit procedures included reviewing the prior year revaluation workings and evaluating the reasonability of the valuations of the Group's property, plant and equipment.
The significant movement in the valuation of property, plant and equipment in the prior year may be evidence that the revaluation exercise is not performed with sufficient regularity to ensure that the carrying amount of property, plant and equipment does not differ materially from that which would be determined using the fair values at the reporting date as required by the International Financial Reporting Standards, IAS 16 Property, Plant and Equipment.	We also evaluated the Revaluation Policy against the requirements of IAS 16 Property, Plant and Equipment in terms regularity of the revaluation exercise.
	We also considered the impact of the lack of regular revaluation exercises on the current year valuation and we are comfortable that given that the last valuation is one year old, the carry values are still fairly reflected.
	We further assessed the adequacy of the related disclosures in the Consolidated Financial Statements.

Other Information

The Directors are responsible for the other information. The other information comprises the Chairperson's Statement, Managing Director's Report, Strategic Overview, Operational Reviews, Business Overview, Sustainability Report, Financial Performance Overview, Corporate Structure and Value-added Statement. The other information does not include the Consolidated and Separate Financial Statements, Report of the Directors and our Auditor's Report thereon.

Our opinion on the Consolidated and Separate Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Consolidated and Separate Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated and Separate Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this Auditor's Report, we conclude that there is a

Independent Auditor's Report (continued)

material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the Consolidated and Separate Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia and for such internal control as the Directors determine is necessary to enable the preparation of Consolidated and Separate Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated and Separate Financial Statements, the Directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or Company to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated and Separate Financial Statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated and Separate Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated and Separate Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Consolidated and Separate Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and Content of the Consolidated and Separate Financial Statements, including the disclosures and whether the Consolidated and Separate Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated and Separate Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)

AA Akayombokwa
Partner
Windhoek
10 November 2017

Deloitte Building
Maerua Mall Complex
Jan Jonker Road
PO Box 47
Windhoek
Namibia

ICAN practice number: 358

DIRECTORS' REPORT

The Directors have the pleasure of presenting their report for the year ended 30 June 2017.

1. Principal Activities

The Company is responsible for generation, transmission, energy trading and to a lesser extent, the distribution of electricity in Namibia.

The activities of the subsidiaries and associates comprise:
- The provision of technical, management and other related services;
- The sale and distribution of electricity; and
- Property investment.

2. Operating Results

The operating results of the Consolidated and Company for the year under review are set out in the Statement of Profit or Loss and Other Comprehensive Income.

Units into the system and sold

	CONSOLIDATED AND COMPANY	
	2017 GWh	2016 GWh
Ruacana Hydro Power Station	**1,593**	1,359
Van Eck Power Station	**66**	53
Paratus Power Station	**-**	-
Anixas Power Station	**0.33**	9
Eskom	**2,090**	1,956
ZESCO	**334**	334
EDM	**3**	23
ZESA	**-**	55
Aggreko	**-**	301
ZPC	**348**	349
STEM	**136**	55
Omburu Sun Energy (Pty) Ltd (Innosun)	**12**	12
Hopsol Power Generation	**12**	-
Osona Sun Energy (Pty) Ltd	**12**	-
METDECCI Energy Investment	**4**	-
Total units into system	**4,610**	4,506
To customers in Namibia	**3,454**	3,324
Exports	**100**	99
Orange River	**132**	145
To Skorpion Zinc Mine^	**471**	440
Total units sold	**4,157**	4,008

^ Skorpion Zinc Mine is a customer situated in the Republic of Namibia but is supplied directly by Eskom via a back-to-back agreement whereby Eskom bills NamPower for the units consumed by Skorpion, then NamPower bills Skorpion for those units sold by Eskom.

Transmission losses	**9.8%**	11.0%

Growth

During the year under review there was an increase of 3.9% in units sold to customers in Namibia excluding Skorpion and Orange River (2016: increase of 4.9%). The power imported by the Company during the year under review decreased by 134 million units (2016: increase of 300 million units).

Directors' Report (continued)

3. Dividend

No dividend was declared in respect of the year under review and the prior year.

4. Subsidiaries and Associates

Relevant information is disclosed in note 7 to the Financial Statements.

5. Auditors

Deloitte & Touche (Namibia) has been appointed as new auditors with effect from 8 December 2016.

6. Capital Expenditure

The expenditure on property, plant and equipment during the financial year amounted to: Consolidated and Company N$724.5 million (2016: N$503.1 million). The expenditure on intangible assets during the financial year amounted to: Consolidated and Company N$28.3 million (2016: N$690 thousand).

This expenditure is mainly attributable to:

6.1 Electrification:

- Farm Anker No 434 3rd supply
- Farm Klawerberg 2nd supply
- Portion 3 of Farm Bellerode
- Farm Coas No 457 - increase supply
- Warmbad/Karas 22 kV overhead line upgrade 33 kV
- Omaheke Region: Electrification of Kaukurus
- Omaheke Region: Eiseb 10 Locality
- Karas Region: Electrificationof Synfontein
- Brakwater, Dobra 11 kV Overhead Line

6.2 Substation Development:

- Walvis Bay 132 kV Substation Development
- Husab Power Supply
- Lithops Substation 20 MWA
- Tschudi Substation: Upgrade
- Cuito Substation Upgrade 10 MVA 66/33
- Omatando Substation
- Gerus S/S: Otjikoto 220kV Feeder
- MPD: 330/132 kV Hippo Substation
- Ruacana 30 kV: Transformers replacement
- Erongo Red: Swakopmund S/S - Upgrade supply

6.3 Refurbishment and Upgrading:

- Van Eck Power Station - Rehabilitation
- Van Eck Ablution Facility
- Van Eck Power Station - Parking Bays
- Ruacana Power Station: Upgrade of Unit 1-3 Hydraulic
- Ruacana Power Station Turbine Runner Upgrade
- Ruacana Upgrade of the PIV
- Ruacana Auxiliary Solar PV Power Project

6.4 Transmission System:

- Kunene - Omatando 400 kV Transmission Line
- Kunene 330 kV Transmission Station
- Recloser Automation Project
- Auas SVC Control System upgrade
- Bokomo Temp Supply 6 MVA
- Ruacana Transformer 21B
- External: Energy Feed-In Tariff Programme
- Khurub-Aussenkehr Strengthening Phase 3
- Aussenkehr S/S: Strengthening Phase 2

6.5 Power Station Development:

- Anixas Power Station-Walvis Bay
- Van Eck Power Station - Borehole development

Directors' Report (continued)

6. Capital Expenditure (continued)

6.6 Intangible Assets:

- EDRMS Implementation
- SAP Utility Customer E-Services
- SAP Invoice and Statements Reconciliations

7. Foreign Assets

The valuation of the diversion weir situated in Angola amounted to N$47.0 million based on replacement value. NamPower had granted a N$3.7 million loan in respect of the Gove Dam to the Angolan authorities. The recovery of this loan is dependent on the rehabilitation of the Gove Dam by the Angolan authorities and the implementation of the principles embodied in the 1969 Agreement.

The assets and the loan granted are currently reflected in the Company's books at nil carrying amount. These assets and the loan were initially recognised in the books of NamPower and then subsequently impaired to nil during the 2003 financial year.

8. Shareholder

The Government of the Republic of Namibia is the sole shareholder of the Company.

9. Subsequent Events

The Directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Report or Consolidated Annual Financial Statements, that would affect the operations of the Group or the results of those operations significantly.

10. Corporate Governance

NamPower is committed to achieving high standards of corporate governance. The Board has developed self–governance principles over the years which are applied transparently and consistently. The Board also recognises that compliance with legislation is an important component of good governance. In this regard, the Directors are satisfied with actions that management has taken to ensure compliance with all relevant legislation. Full compliance has not been practically possible with respect to certain provisions of the Public Enterprises Governance Act 2 of 2006. Management has and continues to engage the Public Enterprises Ministry with the aim of achieving full compliance. The discussions are aimed at ensuring that full compliance does not negate achievements already attained prior to the Act becoming effective.

The Group continues to apply and comply with the provisions of the Companies Act of Namibia and its internal governance procedures in directing and managing the business. Certain exceptions as provided within the Public Enterprises Governance Act 2 of 2006 were also processed. The matters dealt with through the Company's internal governance procedures and subject to the Board's approval include development and implementation of the Company's strategic and financial plan, determination and approval of the remuneration of the Board and senior management and management of the Company's investment portfolio. The Public Enterprises Governance Act 2 of 2006 does not apply to the subsidiaries and associates, but only to the Company.

10.1 Directorate

K Ndilula	Chairperson	Appointed 01 January 2017
KS Haulofu	Managing Director	Appointed 01 January 2017
D Motinga	Deputy Chairperson	Appointed 01 January 2017
SNM Katiti		Appointed 01 January 2017
Dr DW von Oertzen		Appointed 01 January 2017
A Kanime		Appointed 01 January 2017
AB Matebele		Appointed 01 January 2017
MMN Nakale	Chairperson	Term ended 31 December 2016
PA Kiiyala		Term ended 31 December 2016
PJ Maritz		Term ended 31 December 2016
SP Utonih		Term ended 31 December 2016
Adv. AW Boesak		Term ended 31 December 2016
P Karuaihe-Martin		Term ended 31 December 2016

Directors' Report (continued)

10. Corporate Governance (continued)

10.2 Board Committees

In conformity with corporate governance principles, NamPower has the following Board Committees:

10.2.1 Audit and Risk Management Committee

The members of the Audit and Risk Management Committee for the year under review were:

D Motinga	Chairperson	Appointed 01 January 2017
SNM Katiti		Appointed 01 January 2017
AB Matebele		Appointed 01 January 2017
P Karuaihe-Martin	Chairperson	Term ended 31 December 2016
SP Utonih		Term ended 31 December 2016
Adv. AW Boesak		Term ended 31 December 2016

10.2.2 Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee for the year under review were:

A Kanime	Chairperson	Appointed 01 January 2017
D Motinga		Appointed 01 January 2017
AB Matebele		Appointed 01 January 2017
PJ Maritz	Chairperson	Term ended 31 December 2016
PA Kiiyala		Term ended 31 December 2016
SP Utonih		Term ended 31 December 2016

10.2.3 Board Tender Committee

The members of the Board Tender Committee for the year under review were:

SNM Katiti	Chairperson	Appointed 01 January 2017
K Ndilula		Appointed 01 January 2017
Dr DW von Oertzen		Appointed 01 January 2017
Adv. AW Boesak	Chairperson	Term ended 31 December 2016
PJ Maritz		Term ended 31 December 2016
SP Utonih		Term ended 31 December 2016

10.2.4 Investment Committee

The members of the Investment Committee for the year under review were;

Dr DW von Oertzen	Chairperson	Appointed 01 January 2017
K Ndilula		Appointed 01 January 2017
A Kanime		Appointed 01 January 2017
PA Kiiyala	Chairperson	Term ended 31 December 2016
P Karuaihe-Martin		Term ended 31 December 2016
SP Utonih		Term ended 31 December 2016

Directors' Report (continued)

10.3 Board and Board Committee Meetings

Board of Directors	Board	Audit and Risk Management Committee	Remuneration and Nomination Committee	Board Tender Committee	Investment Committee
Meetings held: 1 January 2017 - 30 June 2017	**6**	**3**	**3**	**1**	**2**
Attendance:					
K Ndilula (Board Chairperson)	6	n/a	n/a	1	2
D Motinga (Audit Chairperson)	6	3	3	n/a	n/a
SNM Katiti (Board Tender Chairperson)	6	3	n/a	1	n/a
Dr DW von Oertzen (Investment Chairperson)	6	n/a	n/a	1	2
A Kanime (REMCO Chairperson)	5	n/a	3	n/a	2
AB Matebele	5	3	3	n/a	n/a
Meetings held: 1 July 2016 - 31 December 2016	**9**	**5**	**2**	**2**	**1**
Attendance:					
MMN Nakale	9	n/a	n/a	n/a	n/a
PA Kiiyala	9	n/a	2	n/a	1
PJ Maritz	8	n/a	2	2	n/a
SP Utonih	8	5	2	2	1
Adv. AW Boesak	8	5	n/a	2	n/a
P Karuaihe-Martin	8	4	n/a	n/a	0

* n/a: Not a member of applicable committee

11. Secretary

Ms S Mavulu held office as Company Secretary for the year under review. The business and postal addresses are shown on page 200.

12. Going Concern

The Directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns in the foreseeable future and are satisfied that they have access to adequate resources and facilities to be able to continue operations for the foreseeable future. Accordingly the Board has continued to adopt the going-concern basis in preparing the Financial Statements.

13. Registered Address

Namibia Power Corporation (Proprietary) Limited
(Reg no 2051)
NamPower Centre
15 Luther Street
PO Box 2864
WINDHOEK
Namibia

VALUE ADDED STATEMENT
for the year ended 30 June 2017

	CONSOLIDATED				COMPANY			
	2017		2016		**2017**		2016	
	N$'000	**%**	N$'000	%	**N$'000**	**%**	N$'000	%
VALUE ADDED								
Turnover	**5,805,849**		5,005,992		**5,805,849**		5,005,992	
Less: Cost of primary energy, materials and services	**3,628,479**		4,131,769		**3,628,479**		4,131,769	
Value added by operations	**2,177,370**	**73.97**	874,223	58.16	**2,177,370**	**73.82**	874,223	58.15
Interest and sundry income	**766,225**	**26.03**	629,040	41.84	**772,075**	**26.18**	629,222	41.85
	2,943,595	**100.00**	1,503,263	100.00	**2,949,445**	**100.00**	1,503,445	100.00
VALUE DISTRIBUTED								
To remunerate employees	**669,553**	**22.75**	608,332	40.47	**669,553**	**22.70**	608,332	40.46
To providers of debt	**215,093**	**7.31**	233,213	15.51	**215,093**	**7.29**	233,213	15.51
Taxation paid	**377,022**	**12.81**	(229,218)	(15.25)	**377,125**	**12.79**	(233,568)	(15.54)
	1,261,668	**42.87**	612,327	40.73	**1,261,771**	**42.78**	607,977	40.44
VALUE RETAINED								
To maintain and develop operations	**1,681,927**	**57.13**	890,936	59.27	**1,687,674**	**57.22**	895,468	59.56
	2,943,595	**100.00**	1,503,263	100.00	**2,949,445**	**100.00**	1,503,445	100.00

STATEMENTS OF FINANCIAL POSITION
at 30 June 2017

	NOTE	CONSOLIDATED 2017 N$'000	CONSOLIDATED 2016 N$'000 Restated*	CONSOLIDATED 01 July 2015 N$'000 Restated*	COMPANY 2017 N$'000	COMPANY 2016 N$'000 Restated*	COMPANY 01 July 2015 N$'000 Restated*
Assets							
Total non-current assets		**22,985,596**	22,952,082	17,501,301	**22,584,191**	22,551,716	17,144,938
Property, plant and equipment	6	**21,041,341**	21,168,861	15,235,895	**21,022,926**	21,150,271	15,225,191
Investment properties	8	**19,691**	18,429	15,367	**19,691**	18,429	15,367
Intangible assets	9	**29,350**	2,908	3,736	**29,350**	2,908	3,736
Interest in subsidiaries	7.1	**-**	-	-	**9,244**	9,244	9,062
Investment in associates	7.2	**565,466**	564,252	527,953	**173,232**	173,232	173,232
Investments	11	**1,261,372**	977,789	1,496,437	**1,261,372**	977,789	1,496,437
Derivative assets	21.1	**58,715**	203,235	200,488	**58,715**	203,235	200,488
Loans receivable	10	**9,661**	16,608	21,425	**9,661**	16,608	21,425
Total current assets		**7,883,717**	7,281,121	6,214,524	**7,883,717**	7,281,121	6,214,524
Inventories	12	**279,159**	309,878	206,965	**279,159**	309,878	206,965
Trade and other receivables	13	**1,322,653**	1,113,051	1,010,557	**1,322,653**	1,113,051	1,010,557
Current tax receivable		**4,079**	4,079	4,079	**4,079**	4,079	4,079
Investments	11	**4,404,320**	4,139,474	3,155,862	**4,404,320**	4,139,474	3,155,862
Cash and cash equivalents	14	**1,868,999**	1,707,589	1,830,011	**1,868,999**	1,707,589	1,830,011
Loans receivable	10	**4,507**	7,050	7,050	**4,507**	7,050	7,050
Total assets		**30,869,313**	30,233,203	23,715,825	**30,467,908**	29,832,837	23,359,462
Equity							
Total equity attributable to equity holders		**19,585,340**	18,584,930	14,229,695	**19,184,316**	18,185,049	13,870,106
Issued share capital	16.2	**165,000**	165,000	165,000	**165,000**	165,000	165,000
Share premium	16.3	**900,000**	900,000	900,000	**900,000**	900,000	900,000
Reserve fund		**1,633,716**	1,574,721	1,519,447	**1,633,716**	1,574,721	1,519,447
Development fund		**5,068,310**	4,127,007	4,470,032	**4,891,672**	3,951,512	4,326,129
Capital revaluation reserve	16.4	**11,717,163**	11,717,163	7,110,050	**11,492,777**	11,492,777	6,894,364
Strategic inventory revaluation reserve	16.5	**99,880**	99,880	63,856	**99,880**	99,880	63,856
Available for sale fair value adjustment reserve	16.6	**1,271**	1,159	1,310	**1,271**	1,159	1,310
Total equity		**19,585,340**	18,584,930	14,229,695	**19,184,316**	18,185,049	13,870,106
Liabilities							
Total non-current liabilities		**10,021,478**	10,481,574	8,306,167	**10,014,714**	10,474,706	8,303,009
Interest bearing loans and borrowings	17	**2,029,120**	2,384,431	2,218,920	**2,029,120**	2,384,431	2,218,920
Deferred revenue liabilities	18	**1,289,015**	1,159,810	1,053,368	**1,289,015**	1,159,810	1,053,368
Employee benefits	22	**324,536**	291,590	274,959	**324,536**	291,590	274,959
Retention creditors	20.3	**29,432**	18,692	44,223	**29,432**	18,692	44,223
Derivative liabilities	21.2	**131,261**	394,734	269,221	**131,261**	394,734	269,221
Deferred tax liabilities	19	**6,218,114**	6,232,317	4,445,476	**6,211,350**	6,225,449	4,442,318
Total current liabilities		**1,262,495**	1,166,699	1,179,963	**1,268,878**	1,173,082	1,186,347
Trade and other payables	20	**867,616**	789,678	805,610	**867,611**	789,677	805,610
Loans due to subsidiaries	7.1	**-**	-	-	**6,388**	6,384	6,384
Current tax payable		**26,688**	-	-	**26,688**	-	-
Interest bearing loans and borrowings	17	**230,109**	237,939	217,378	**230,109**	237,939	217,378
Deferred revenue liabilities	18	**138,082**	139,082	156,975	**138,082**	139,082	156,975
Total liabilities		**11,283,973**	11,648,273	9,486,130	**11,283,592**	11,647,788	9,489,356
Total equity and liabilities		**30,869,313**	30,233,203	23,715,825	**30,467,908**	29,832,837	23,359,462

* Certain amounts shown here do not correspond to the 2016 financial statements due to an error and reflect adjustments made, refer to note 30.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2017

	NOTE	CONSOLIDATED 2017 N$'000	CONSOLIDATED 2016 N$'000 Restated*	COMPANY 2017 N$'000	COMPANY 2016 N$'000 Restated*
Revenue	25	**5,805,849**	5,005,992	**5,805,849**	5,005,992
Cost of Electricity		**(3,128,420)**	(3,615,787)	**(3,128,420)**	(3,615,787)
Gross profit		**2,677,429**	1,390,205	**2,677,429**	1,390,205
Foreign exchange gains		**188,231**	461,896	**188,231**	461,896
Foreign exchange losses		**(204,198)**	(342,835)	**(204,198)**	(342,835)
Amortisation	9	**(1,893)**	(1,519)	**(1,893)**	(1,519)
Depreciation	6	**(789,352)**	(735,063)	**(789,178)**	(734,888)
Impairment of property, plant and equipment	6	**-**	(378,281)	**-**	(378,281)
Other operating expenditure		**(1,153,645)**	(1,243,376)	**(1,153,645)**	(1,243,376)
Other income	25.1	**92,785**	76,812	**98,635**	76,994
Profit/(loss) before net fair value adjustments and net finance income		**809,357**	(772,161)	**815,381**	(771,804)
Fair value loss on derivatives and foreign loans through profit or loss		**(127,386)**	(94,528)	**(127,386)**	(94,528)
Fair value gain on swaps		**38,823**	100,250	**38,823**	100,250
Fair value (loss)/gain on embedded derivatives - Power Sales Agreement (PSA)		**(57,476)**	6,911	**(57,476)**	6,911
Fair value gain/(loss) on embedded derivatives - Power Purchase Agreement (PPA)		**252,680**	(111,800)	**252,680**	(111,800)
Fair value gain on firm commitments		**-**	665	**-**	665
Profit/(loss) before net finance income		**915,998**	(870,663)	**922,022**	(870,306)
Net finance income		**458,347**	308,758	**458,347**	308,758
Finance income	24	**673,440**	541,971	**673,440**	541,971
Finance costs	24	**(215,093)**	(233,213)	**(215,093)**	(233,213)
Share of profit of associates net of tax	7.2	**7,064**	36,299	**-**	-
Profit/(loss) before taxation	26	**1,381,409**	(525,606)	**1,380,369**	(561,548)
Taxation	15	**(377,022)**	229,218	**(377,125)**	233,568
Profit/(loss) for the year		**1,004,387**	(296,388)	**1,003,244**	(327,980)
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Revaluation of property, plant and equipment	6	**-**	6,619,107	**-**	6,611,047
Revaluation of strategic inventory	6	**-**	36,024	**-**	36,024
Remeasurements of post retirement medical benefits	22	**(6,013)**	12,703	**(6,013)**	12,703
Related tax	15	**1,924**	(2,016,059)	**1,924**	(2,016,699)
		(4,089)	4,651,775	**(4,089)**	4,643,075
Items that are or may be reclassified to profit or loss					
Net change in fair value of available-for-sale financial assets		**112**	(151)	**112**	(151)
		112	(151)	**112**	(151)
Other comprehensive income for the year, net of taxation		**(3,977)**	4,651,624	**(3,977)**	4,642,924
Total comprehensive income for the year		**1,000,410**	4,355,236	**999,267**	4,314,944

* Certain amounts shown here do not correspond to the 2016 financial statements due to an error and reflect adjustments made, refer to note 30.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2017

CONSOLIDATED	Issued Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000
Balance at 1 July 2016	**165,000**	**900,000**	**1,574,721**	**4,127,007**
Total comprehensive income for the year				
Profit for the year	-	-	-	-
Other comprehensive income				
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Allocation from retained income	-	-	**58,995**	**941,303**
Transfer to reserve fund	-	-	**58,995**	-
Funds for capital expenditure requirements	-	-	-	**941,303**
Balance at 30 June 2017	**165,000**	**900,000**	**1,633,716**	**5,068,310**

CONSOLIDATED	Issued Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000
Balance at 1 July 2015 (as previously reported)	165,000	900,000	1,519,447	4,048,062
Adjustment of correction of error* (Note 30)	-	-	-	-
Allocation from retained income	-	-	-	421,969
Transfer to reserve fund	-	-	-	-
Funds for capital expenditure requirements	-	-	-	421,969
Balance at 1 July 2015 (restated)	165,000	900,000	1,519,447	4,470,031
Loss for the year	-	-	-	-
Other comprehensive income				
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Allocation from retained income	-	-	55,274	(343,024)
Transfer to reserve fund	-	-	55,274	-
Funds for capital expenditure requirements	-	-	-	(343,024)
Balance at 30 June 2016	165,000	900,000	1,574,721	4,127,007

*Certain amounts shown here do not correspond to the 2016 financial statements due to an error and reflect adjustments made, refer to note 30.

Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Available for Sale Fair Value Adjustment Reserve N$'000	Retained Earnings N$'000	Total Equity N$'000
11,717,163	**99,880**	**1,159**	**-**	**18,584,930**
-	**-**	**-**	**1,004,387**	**1,004,387**
-	**-**	**112**	**(4,089)**	**(3,977)**
-	**-**	**112**	**1,000,298**	**1,000,410**
-	**-**	**-**	**(1,000,298)**	**-**
-	**-**	**-**	**(58,995)**	**-**
-	**-**	**-**	**(941,303)**	**-**
11,717,163	**99,880**	**1,271**	**-**	**19,585,340**
7,110,050	63,856	1,310	-	13,807,725
-	-	-	421,969	421,969
-	-	-	(421,969)	-
-	-	-	-	-
-	-	-	(421,969)	-
7,110,050	63,856	1,310	-	14,229,694
-	-	-	(296,388)	(296,388)
4,607,113	36,024	(151)	8,638	4,651,624
4,607,113	36,024	(151)	(287,750)	4,355,236
-	-	-	287,750	-
-	-	-	(55,274)	-
-	-	-	343,024	-
11,717,163	99,880	1,159	-	18,584,930

STATEMENTS OF CHANGES IN EQUITY (continued)
for the year ended 30 June 2017

COMPANY	Issued Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000
Balance at 1 July 2016	**165,000**	**900,000**	**1,574,721**	**3,951,512**
Total comprehensive income for the year				
Profit for the year	-	-	-	-
Other comprehensive income				
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Allocation from retained income	-	-	**58,995**	**940,160**
Transfer to reserve fund	-	-	**58,995**	-
Funds for capital expenditure requirements	-	-	-	**940,160**
Balance at 30 June 2017	**165,000**	**900,000**	**1,633,716**	**4,891,672**

COMPANY	Issued Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000
Balance at 1 July 2015 (as previously reported)	165,000	900,000	1,519,447	3,904,159
Adjustment of correction of error* (Note 30)	-	-	-	-
Allocation from retained income	-	-	-	421,969
Transfer to reserve fund	-	-	-	-
Funds for capital expenditure requirements	-	-	-	421,969
Balance at 1 July 2015 (restated)	165,000	900,000	1,519,447	4,326,128
Total comprehensive income for the year				
Loss for the year	-	-	-	-
Other comprehensive income				
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Allocation from retained income	-	-	55,274	(374,616)
Transfer to reserve fund	-	-	55,274	-
Funds for capital expenditure requirements	-	-	-	(374,616)
Balance at 30 June 2016	165,000	900,000	1,574,721	3,951,512

*Certain amounts shown here do not correspond to the 2016 financial statements due to an error and reflect adjustments made, refer to note 30.

Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Available for Sale Fair Value Adjustment Reserve N$'000	Retained Earnings N$'000	Total Equity N$'000
11,492,777	**99,880**	**1,159**	**-**	**17,773,337**
-	**-**	**-**	**1,003,244**	**1,003,244**
-	**-**	**112**	**(4,089)**	**(3,977)**
-	**-**	**112**	**999,155**	**999,267**
-	**-**	**-**	**(999,155)**	**-**
-	**-**	**-**	**(58,995)**	**-**
-	**-**	**-**	**(940,160)**	**-**
11,492,777	**99,880**	**1,271**	**-**	**19,184,316**
6,894,364	63,856	1,310	-	13,448,136
-	-	-	421,969	421,969
-	-	-	(421,969)	-
-	-	-	-	-
-	-	-	(421,969)	-
6,894,364	63,856	1,310	-	13,870,105
-	-	-	(327,980)	(327,980)
4,598,413	36,024	(151)	8,638	4,642,924
4,598,413	36,024	(151)	(319,342)	4,314,944
-	-	-	319,342	-
-	-	-	(55,274)	-
-	-	-	374,616	-
11,492,777	99,880	1,159	-	18,185,049

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2017

	Note	CONSOLIDATED 2017 N$'000	CONSOLIDATED 2016 N$'000 Restated*	COMPANY 2017 N$'000	COMPANY 2016 N$'000 Restated*
Cash flows from operating activities					
Cash receipts from customers		**6,246,291**	5,420,542	**6,240,441**	5,420,542
Cash paid to suppliers and employees		**(4,674,263)**	(4,990,376)	**(4,668,413)**	(4,990,194)
Cash generated from operations	A	**1,572,028**	430,166	**1,572,028**	430,348
Interest received		**82,886**	51,936	**82,886**	51,936
Taxation paid	B	**(362,614)**	-	**(362,614)**	-
Net cash from operating activities		**1,292,300**	482,102	**1,292,300**	482,284
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment		**-**	641	**-**	641
Acquisitions of intangible assets	9	**(2,413)**	(727)	**(2,413)**	(727)
Extension and replacement of property, plant and equipment to maintain operations	6	**(724,545)**	(503,109)	**(724,545)**	(503,109)
Interest received		**437,343**	375,270	**437,343**	375,270
Dividend received	7.2	**5,904**	5,535	**5,904**	5,535
Increase in loans to subsidiaries		**-**	-	**-**	(182)
(Increase)/decrease in investments		**(283,471)**	518,497	**(283,471)**	518,497
Increase in short term investments		**(264,846)**	(983,612)	**(264,846)**	(983,612)
Decrease in loans receivable		**9,490**	4,817	**9,490**	4,817
Net cash used in investing activities		**(822,538)**	(582,688)	**(822,538)**	(582,870)
Cash flows from financing activities					
Interest paid		**(153,856)**	(149,628)	**(153,856)**	(149,628)
Loans raised		**-**	377,200	**-**	377,200
Repayment of interest bearing loans and borrowings		**(169,901)**	(159,152)	**(169,901)**	(159,152)
Net cash generated (used in)/from financing activities		**(323,757)**	68,420	**(323,757)**	68,420
Net increase/(decrease) in cash and cash equivalents		**146,005**	(32,166)	**146,005**	(32,166)
Cash and cash equivalents at 1 July		**1,707,589**	1,830,011	**1,707,589**	1,830,011
Effect of exchange rate fluctuations on cash held		**15,405**	(90,256)	**15,405**	(90,256)
Cash and cash equivalents at 30 June	14	**1,868,999**	1,707,589	**1,868,999**	1,707,589

* Some interest received and interest paid was reclassified from operating activities to investing and financing activities respectively to better reflect the Group's operations.

NOTES TO THE STATEMENTS OF CASH FLOWS
for the year ended 30 June 2017

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000 Restated*	**2017 N$'000**	2016 N$'000 Restated*
A. CASH GENERATED FROM OPERATIONS				
Profit/(Loss) before taxation and interest and before share of profits from associates	**915,998**	(870,663)	**922,022**	(870,306)
Adjustments for:				
- Dividend received	**(54)**	(5,535)	**(5,904)**	(5,535)
- Net accrued interest	**(6,870)**	18,566	**(6,870)**	18,566
- Effect of exchange rate fluctuations on cash held	**(15,405)**	90,256	**(15,405)**	90,256
- Fair value movements of financial liabilities at fair value through profit or loss	**(76,396)**	(19,360)	**(76,396)**	(19,360)
- Fair value movements on derivative contracts	**76,251**	18,542	**76,251**	18,542
- Fair value movements on firm commitments	**-**	(665)	**-**	(665)
- Fair value movements on embedded derivative - Power Purchase Agreement (PPA)	**(252,680)**	111,800	**(252,680)**	111,800
- Fair value movements on embedded derivative - Power Sales Agreement (PSA)	**57,476**	(6,911)	**57,476**	(6,911)
- Coal survey adjustment	**(744)**	11,552	**(744)**	11,552
- Fair value movements on investment properties	**(1,262)**	(3,407)	**(1,262)**	(3,407)
- Impairment loss on trade and other receivables	**258,532**	255,226	**258,532**	255,226
- Depreciation on property, plant and equipment	**789,353**	735,063	**789,178**	734,888
- Impairment losses on property, plant and equipment	**-**	378,281	**-**	378,281
- Amortisation on intangible assets	**1,893**	1,518	**1,893**	1,518
- Remeasurements of post retirement medical benefits	**(6,013)**	12,703	**(6,013)**	12,703
- Strategic inventory items issued	**36,787**	11,397	**36,787**	11,397
- Transfer to inventory	**-**	100,717	**-**	100,717
- Reclassification from investments to interest bearing loans and borrowings	**(18,000)**	-	**(18,000)**	-
- Government grant recognised in income	**(1,000)**	(17,893)	**(1,000)**	(17,893)
- Movement in deferred revenue liability	**129,205**	106,443	**129,205**	106,443
- Movement in loans to subsidiaries	**4**	-	**4**	-
- Employee benefits - defined benefit obligation	**4,203**	3,864	**4,203**	3,864
- Increase in provisions	**28,743**	12,767	**28,743**	12,767
- Loss on realisation of property, plant and equipment	**-**	(446)	**-**	(446)
Operating profit before working capital changes	**1,920,021**	943,815	**1,920,020**	943,997
Decrease/(increase) in inventories	**31,463**	(114,465)	**31,463**	(114,465)
Increase in trade and other receivables	**(468,134)**	(357,720)	**(468,134)**	(357,720)
Increase/(decrease) in trade payables	**88,678**	(41,464)	**88,679**	(41,464)
	1,572,028	430,166	**1,572,028**	430,348

* Certain amounts shown here do not correspond to the 2016 financial statements due to an error and reflect adjustments made, refer to note 30.

	CONSOLIDATED		COMPANY	
B. TAXATION PAID				
Amount due by the Receiver of Revenue at beginning of year	**4,079**	4,079	**4,079**	4,079
Taxation payable	**(389,301)**	-	**(389,301)**	-
Taxation paid	**362,614**	-	**362,614**	-
Amount due (to)/by the Receiver of Revenue at end of year	**(22,609)**	4,079	**(22,609)**	4,079

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. REPORTING ENTITY

Namibia Power Corporation (Proprietary) Limited is the holding Company of the Group and is incorporated and domiciled in Namibia. The Financial Statements for the Year Ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB) and the requirements of the Namibian Companies Act.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

(b) Basis of Measurement

The Financial Statements are prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments;
- Available-for-sale financial assets;
- Financial assets and financial liabilities at fair value through profit or loss;
- Property, plant and equipment; and
- Investment properties which are measured at fair value.

(c) Functional and presentation currency

These Financial Statements are presented in Namibian Dollars (N$), which is the Company's functional and presentation currency and are rounded to the nearest thousand.

(d) Use of Estimates and Judgements

The preparation of these Financial Statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are included in the following notes:

Note 6 - Revaluation of property, plant and equipment and impairment of assets;
Note 8 - Valuation of investment property;
Note 12 - Inventories;
Note 13 - Trade receivables - capital contribution (external funded projects);
Note 22 - Employee benefits; and
Note 29 - Valuation of financial instruments - loans and derivatives.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

(d) Use of Estimates and Judgements (continued)

Measurement of Fair Values

A number of the Group's accounting policies and disclosures require the measurement of fair values, both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 6 - Revaluation of property, plant and equipment and impairment of assets;
Note 8 - Valuation of investment property; and
Note 29 - Valuation of financial instruments - loans and derivatives.

(e) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Executive Committee (Exco).

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by Exco to make decisions about resources to be allocated to the segment and assess performance, and for which separate financial information is available.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

These Financial Statements incorporate the Financial Statements of the Company, its subsidiaries and associates. The Company measures its investments in subsidiaries and associates at cost less accumulated impairment in its Separate Financial Statements.

(i) Subsidiaries

Subsidiaries are those entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases.

Loss of Control

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of any equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(ii) Investments in equity-accounted investees

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of its associates post-acquisition profits or losses is recognised within share of profit of equity-accounted investees, and its share of post-acquisition movement in reserve is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing these Financial Statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(iv) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or

(iv) Business combinations (continued)

assumed at the date of exchange. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, which is the date that control is transferred to the Group. The excess of the cost of acquisition over fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase gain.

(b) Property, Plant and Equipment

(i) Owned assets

Property, plant and equipment is initially recognised at cost. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequently property, plant and equipment is measured at revalued amounts being its fair value at the date of the revaluation less any subsequent accumulated depreciation (see below) and subsequent accumulated impairment losses (see accounting policy 3 (e)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment. Plant and equipment is revalued at the estimated replacement cost thereof as adjusted in relation to the remaining useful lives of these assets. Property is revalued to its fair value. Valuations of property, plant and equipment are determined from market-based evidence by appraisals undertaken by professional valuers. Revaluations are performed every five years such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Between formal valuations, the revalued amounts are reassessed at each reporting date by professional valuers.

Any revaluation increase arising on the revaluation of such property, plant and equipment is recognised in other comprehensive income and presented in equity in the capital revaluation reserve, except to the extent that it reverses a revaluation decrease for the same assets previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount as a result of a revaluation is recognised in profit or loss. The decrease is recognised in Other Comprehensive Income only to reduce any credit balance existing in the revaluation reserve. On the subsequent sale or retirement of an item of revalued property, plant and equipment, the attributable revaluation surplus remaining in the capital revaluation reserve is transferred directly to retained earnings.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as incurred.

(iii) Strategic inventory

Spare parts and servicing equipment are usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts, stand-by equipment and servicing equipment qualify as property, plant and equipment when an entity expects to use them during more than one period. This asset class is accounted for in terms of the accounting policy for property, plant and equipment and is revalued every five years.

(iv) Assets under construction

Assets under construction are measured at cost which is assumed to be equal to fair value. This includes costs of materials and direct labour and any cost incurred in bringing it to its present location and condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Materials used in the construction of property, plant and equipment are valued at weighted average cost.

Assets under construction are not revalued as the cost of construction is assumed as the fair value.

(v) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, to its residual value.

Leased assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Land and assets under construction are not depreciated.

Strategic Inventory

The Company depreciates strategic inventory if the stock is unique and specific to items of property, plant and equipment.

The strategic inventory is depreciated at the same rate as the main item of property, plant and equipment as these assets will be simultaneously retired with the main asset. Interchangeable strategic inventory items that can be used at more than one asset are not depreciated.

Disposal

Gains or losses are determined by comparing proceeds with the carrying amount. The gains or losses are included in profit or loss.

(vi) Reclassification to investment property

If an owner-occupied property becomes an investment property that will be carried at fair value, any difference at that date between the carrying amount of the property in accordance with IAS 16 and its fair value is treated in the same way as a revaluation in accordance with IAS 16.

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(c) Intangible Assets

(i) Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new technical or scientific knowledge and understanding, is recognised in profit or loss as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense when incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses (see accounting policy 3(e)).

Costs that are directly associated with development of identifiable and unique software products controlled by the Group and that it will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets and amortised as below. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised. Gains shall not be classified as revenue.

(ii) Computer software

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring to use a specific software. These costs are amortised over their estimated useful lives. If software is integral to the functionality of related equipment, then it is capitalised as part of the equipment.

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use.

The estimated useful life for the current and comparative periods is as follows:

• Computer software 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Investment Properties

Investment properties are properties held to earn rental income and/or for capital appreciation purposes but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss. Cost includes expenditure that is directly attributable to acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour and other costs directly attributable to bringing the investment property to a working condition for their intented use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property calculated as the difference between net proceeds from disposal and the carrying amount of the item, is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of the investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(e) Impairment of Assets

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets or its cash generating unit, other than inventories, deferred tax assets and investment properties are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Calculation of Recoverable Amount

The recoverable amount of non-financial assets is the greater of their fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit (CGU). For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses, except for property, plant and equipment accounted for under the revaluation model, are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to:

- First to reduce the carrying amount of any goodwill allocated to the cash-generating units, and then
- To reduce the carrying amounts of other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

See accounting policy 3 (b)(i) for revaluation model.

Reversals of Impairment

In respect of non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(ii) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss including an interest in an equity accounted investee is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occured after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial Assets Measured at Amortised Cost

The recoverable amount of the Group's investment in held to-maturity securities and loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short maturity are not discounted.

Available-for-sale Financial Assets

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Equity-accounted Investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(iii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is reversed through other comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

(f) Inventories

Fuel, coal, maintenance spares and consumable stores are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated cost necessary to make the sale. The cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition and is determined using the weighted average cost method.

(g) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost. Provisions are not recognised for future operating losses.

(i) Decommissioning

The Group recognises decommissioning obligations raised only on notification to the Electricity Control Board of a planned decommissioning. When a decommissioning notification is given by the Group five years prior to the plant decommissioning, the decommissioning plan is approved and consequently the arising of the obligation.

(ii) Site restoration

The Group has no legal or constructive obligation to restore contaminated land or related expenses and thus recognised no provision for site restoration. If there is a need for site restoration, a provision for site restoration will be recognised.

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(h) Capitalisation of Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised up to the date that the asset is substantially completed. The capitalisation rates applied are the weighted averages of the borrowing costs applicable to the borrowings of the respective entities in the Group unless an asset is financed by a specific loan, in which case the specific rate is used. All other borrowing costs are expensed.

(i) Financial Instruments

(i) Initial recognition

The Group initially recognises loans and receivables and deposits on the date when they are originated. All other finacial assets and liabilities are initially recognised on the trade date.

(ii) Derecognition

A financial asset is derecognised when, and only when:

- The contractual rights to the cash flows arising from the financial asset have expired or been forfeited by the Group;
- The Group transfers the financial asset including substantially all risks and rewards of ownership of the asset; or
- The Group transfers the financial asset, neither retaining nor transferring substantially all risks and rewards of ownership of the asset, but no longer retains control of the asset. Any interest in the transferred financial assets that is created or retained is recognised as a separate asset or liability.

The difference between the carrying amount of a financial asset (or part thereof) derecognised and consideration received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial liability is derecognised when, and only when:

- The liability is extinguished, that is, when the obligation specified in the contract is discharged;
- cancelled; or
- Has expired.

The difference between the carrying amount of a financial liability (or part thereof) derecognised and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iii) Offset

Financial assets and liabilities are offset against each other only when a legally enforceable right exists to set off the recognised amounts, and the Group intends to either settle on a net basis, or to realise the assets and settle the liability simultaneously.

(iv) Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments comprise Namibian government bonds and treasury bills, Namibian commercial banks bonds and South African zero coupon bonds. Held-to-maturity investments are classified as investments on the Statement of Financial Position.

(v) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets.

The Group initially recognises the financial asset at fair value plus transaction cost that are directly attributable to the acquisition of the financial asset. Subsequent to initial recognition, they are measured at fair value and changes therein,other than impairment losses (see note 3(e)) and foreign currency differences on available-for-sale monetary items, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss. Available-for-sale financial assets comprise investments in listed equity. Available-for-sale financial assets are classified as investments on the statement of financial position.

(vi) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, trade and other receivables and other loans and receivables. Cash and cash equivalents comprises cash balances, call and fixed deposits with original maturities of three months or less.

(vii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(viii) Financial assets and financial liabilities at fair value through profit or loss

A financial asset or financial liability is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets and financial liabilities are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented

(viii) Financial assets and financial liabilities at fair value through profit or loss (continued)

risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred.

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss (see note 29).

(ix) Non-derivative financial liabilities

Other financial liabilities comprises loans and borrowings, trade and other payables and retention creditors.

Loans payable to subsidiaries are measured at amortised cost.

Non-derivative financial liabilities are recognised initially at fair value less directly attributable transaction costs. The NAD and ZAR denominated loans, subsequent to initial recognition, such financial liabilities are measured at amortised cost using the effective interest method. The foreign denominated loans (GBP and EURO), subsequent to initial recognition, such financial liabilities are measured at fair value through profit or loss.

(x) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value, directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to those of a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, or other variable. The hybrid contract is the entire contract and the host contract is the main body of the contract excluding the embedded derivative.

An embedded derivative is separated from the host contract and accounted for as a derivative if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The combined instrument is not measured at fair value with changes in fair value recognised in profit or loss.

The determination of the value of the host contract of a hybrid electricity contract (which includes an embedded derivative) is based on the standard electricity tariff specified in the contract and where no standard tariff is specified, the tariff that would normally apply to such a customer.

The changes in fair value are included in net fair value gain/ (loss) on embedded derivatives in profit or loss. The impact of the fair value gains or losses is taken into account in the calculation of current and deferred taxation.

Embedded derivatives that are not separated are effectively accounted for as part of the hybrid instrument. The value at initial recognition is adjusted for cash flows since inception. The value of the embedded derivatives which involve a foreign currency is first determined by calculating the future cash flows and then discounting the cash flows by using the relevant interest rate curve and only then is the net present value of the cash flows converted at the relevant Namibia dollar/foreign currency spot rate to the reporting currency.

The fair value of the embedded derivative is determined on the basis of its terms and conditions. If this is not possible, then the value of the embedded derivative is determined by fair valuing the whole contract and deducting from it the fair value of the host contract. If the Group is unable to determine the fair value of the embedded derivative using this method then the entire hybrid contract is designated as at fair value through profit or loss.

Where there is no active market for the embedded derivatives, valuation techniques are used to ascertain their fair values. Financial models are developed incorporating valuation methods, formulae and assumptions. The valuation methods include the following:

- Forwards: electricity tariff or other revenue or expenditure is based on the foreign currency.

The fair value of embedded derivatives is adjusted, where applicable, to take into account the inherent uncertainty relating to the future cash flows of embedded derivatives such as liquidity, model risk and other economic factors.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

(xi) Hedging

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. The Group designates certain derivatives as a hedge of the exposure in the fair value of recognised assets or liabilities or unrecognised firm commitments.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Economic Hedging

The Group does not apply hedge accounting as the derivatives are used for economic hedging. Changes in fair value of these derivative instruments are recognised in profit or loss.

(j) Foreign Currency Transactions

Transactions in foreign currencies of Group entities are translated to Namibian Dollars (N$) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Namibian Dollars (N$) at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Namibian Dollars (N$) at the exchange rates ruling at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- Available-for-sale equity investments (except on impairment in which case foreign currency diffrences that have been recognised in other comprehensive income are reclassified to profit or loss).

(k) Deferred Income

(i) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Government grants received relating to the creation of electricity assets are included in non current liabilities as deferred income and are credited to profit or loss on a systematic basis over the useful lives of the assets. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(ii) Transfers of assets from customers

The transfers of assets from customers comprise of assets constructed by customers as well as assets constructed by the Group on behalf of customers (see note 3n).

Assets Constructed by Customers

The Group recognises assets transferred by customers as an item of property, plant and equipment in accordance with IAS 16 at the fair value of the asset transferred on the date of transfer. The fair value of the asset transferred is recognised in revenue in accordance with IFRIC 18 - Transfers of Assets from Customers.

Assets constructed by the Group

Upfront capital contributions by customers for the construction of assets are initially recognised in debtors and assets under construction while the construction of the asset is in progress. Once the asset is complete, it is transferred to Property, Plant and Equipment in accordance with IAS 16. The credit for the upfront capital contribution is initially recognised in deferred revenue, once the construction of the asset is complete the deferred revenue is recognise in revenue in accordance with IFRIC 18.

(l) Appropriation of Funds

The Group is dependent upon funds generated internally and the raising of long-term loans for the financing of its fixed and working capital requirements. Therefore, the Group is compelled to apply funds derived from its activities after provision for taxation, as follows:

- Reserve Fund - to be utilised to fund costs associated with potential energy crises. The Board of Directors have decided that the current level of funding is adequate. The Fund is credited with interest earned, after deduction of income tax, on the monthly balance. The interest earned is calculated on the outstanding balance of the Reserve Fund at a monthly average interest rate earned on the current account.
- Development Fund - to be utilised for the total or partial financing of capital works and extensions to power stations, transmission and distribution networks. The annual profit after the interest allocation to the Reserve Fund is transferred to this Fund.
- Share Capital - Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(m) Taxation

Tax expense comprises current and deferred tax. Taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income, in which case it is recognised directly in Equity or in Other Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: taxable temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and it is the Group's intention to settle on a net basis or to realise their tax assets and settle their tax liabilities simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable and the related tax benefit will be realised.

(n) Revenue

Revenue comprises electricity sales, Short Term Energy Market (STEM) sales, Paratus contribution, extension charges and contributions received or receivable excluding value added tax. Paratus contribution comprises of a monthly contribution by the municipality of Walvis Bay as per take over contract of the Enclave. Electricity revenue is recognised when the electricity is consumed by the customer.

(i) Service revenue

Service revenue comprises of service charges, transfers of assets from customers and rental charges. Revenue is recognised when the service is performed.

(ii) Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, increases in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss and gains on hedged items that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

(o) Finance Expenses

Finance expenses comprise interest expense on borrowings, decreases in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss and losses on hedged items that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are Reported on a net basis and recognised in profit or loss.

(p) Employee Benefits

(i) Short-term employee benefits

The cost of all short-term employee benefits is recognised in profit or loss during the period in which the employee renders the related service.

The accruals for employee entitlements to leave and bonuses represent the amount which the Group has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

(ii) Retirement benefits

The Group contributes to a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(iii) Post-retirement medical benefits

The Group subsidises part of the contributions by retired employees to the medical aid fund. An obligation is recognised for the present value of post retirement medical benefits.

The net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation is done by a qualified actuary using the Projected Unit Credit Method. The discount rate is the yield of the South African Zero Coupon Government Bond as at 30 June 2017.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or to the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Other long-term employee benefits

Severance Pay Retirement Benefits

The Group recognises an obligation for statutory severance benefits, in accordance with the Namibia Labour Act 2007. The liability is discounted to account for the present value of the future benefits payable on resignation or retirement of employees on reaching the age of 65. The cost of providing the benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. The movement for the year including actuarial gains and losses is recognised in profit or loss in the year in which it occurs. The discount rate is the yield of the South African Zero Coupon Government Bond as at 30 June 2017.

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4. SIGNIFICANT JUDGEMENTS

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The more important assumptions, which include the following, are obtained either with reference to the contractual provisions of the relevant contracts or from independent market sources where appropriate:

- Spot and forward foreign currency exchange rates;
- Forecast sales volume purchases;
- Spot and forward consumer and foreign production price indices (PPIs);
- Spot and forward electricity prices; and
- Liquidity, model risk and other economic factors.

(i) Property, Plant and Equipment

The market value of property is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value of items of plant and equipment, is based on the market approach and cost approaches using market prices for similar items when available and depreciated replacement cost when appropriate.

Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment. Plant and equipment is revalued at the estimated replacement cost thereof as adjusted in relation to the remaining useful lives of these assets. Property is revalued to its fair value. Valuations of property, plant and equipment are determined from market-based evidence by appraisals undertaken by professional valuers. Revaluations are performed every five years such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Between formal valuations, the revalued amounts are reassessed at each reporting date by professional valuers.

The estimated useful lives for the current and comparative periods are as follows:

Category

• Power Stations	
- Ruacana Power Station - Plant	50 - 120 years
- Van Eck Power Station - Plant	10 - 35 years
- Paratus Power Station - Plant	10 - 35 years
- Anixas Power Station - Plant	10 - 35 years
• Transmission System	8 - 60 years
• Machinery and Equipment	3 - 35 years
• Buildings	23 - 50 years
• Aircraft Fleet	10 - 35 years

The depreciation methods, useful lives and residual values are reassessed annually.

(ii) Investment property

An external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio annually. The fair values are based on market values, being the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

(iii) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only. The investments in unlisted equity are measured at cost.

(iv) Trade and other receivables

The fair value of both foreign and local denominated trade and other receivables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The carrying value of trade and other receivables is assumed as the fair value due to the short-term nature of the instruments.

(v) Derivatives

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Fair values of interest rate swaps reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Refer to note 29.8 for valuation assumptions on Power Purchase Agreements (PPA) and Power Sales Agreements (PSA).

(vi) Non-derivative financial liabilities

Fair value which is determined for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The carrying value of short-term non-derivative financial instruments is assumed as the fair value due to the short-term nature of the instruments. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

(vii) Decommissioning

No decommissioning notifications have been given by the Group to date and therefore no provision for decommissioning has been raised.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

5. STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2017.

At the date of authorisation of the financial statements of NamPower (Pty) Ltd and the Group for the year ended 30 June 2017, the following Standards and Interpretations which affects the Group and Company were in issue but not yet effective:

Standard	Effective Date*
Amendments to IAS 40: Transfers of Investment Property	Annual periods beginning on or after 1 January 2018
IFRS 9: Financial Instruments	Annual periods beginning on or after 1 January 2018
IFRS 15: Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2018
IFRS 16: Leases	Annual periods beginning on or after 1 January 2019
IFRIC 22: Foreign Currency Transactions and Advance Considerations	Annual periods beginning on or after 1 January 2018

* All standards will be adopted at their effective date.

Only the standards not yet effective which are relevant to the Group's operations, are listed.

The Directors are of the opinion that the impact of the application of the standards will be as follows:

Amendments to IAS 40: Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction. The amendments are not expected to have a significant impact on the Consolidated Financial Statements.

IFRS 9: Financial Instruments

The final IFRS 9 Financial Instruments Standard replaces earlier versions of IFRS 9 and completes the IASB'S Project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The standard will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group.

The Standard will have a significant impact on the Group.

IFRS 15: Revenue from Contracts with Customers

This Standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 18 Transfer of Assets from Customers and SIC -31 Revenue - Barter of Transactions Involving Advertising Services.

The Standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over a time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new Standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The impact on the Financial Statement for 30 June 2019 cannot be reasonably estimated as at 30 June 2017.

5. STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2017 (continued)

IFRS 16: Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Lessee Accounting

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the Statement of Cash Flows applying IAS 7 Statement of Cash Flows.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

IFRS 16 contains disclosure requirements for lessees. Lessees will need to apply judgement in deciding on the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

Lessor Accounting

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor’s risk exposure, particularly to residual value risk.

The Group is currently in the process of evaluating the detailed requirements of the standard to assess the impact on the financial statements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the reognition of a non-monetary asset or non-monetary liability.

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The Standard will not have a significant impact on the Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

6. PROPERTY, PLANT AND EQUIPMENT

	Cost/Valuation N$'000	Accumulated Depreciation N$'000	Accumulated Impairment N$'000	Carrying Amount N$'000
CONSOLIDATED				
2017				
Ruacana Power Station	**6,399,633**	**(959,290)**	**-**	**5,440,343**
Van Eck Power Station	**1,943,844**	**(433,559)**	**(26)**	**1,510,260**
Paratus Power Station	**34,579**	**(31,949)**	**(2,630)**	**-**
Anixas Power Station	**535,502**	**(56,704)**	**(6,526)**	**472,272**
Transmission Systems	**15,618,949**	**(2,643,151)**	**(873,308)**	**12,102,490**
Aircraft Fleet	**54,738**	**(11,664)**	**(6,866)**	**36,208**
Machinery and Equipment	**489,889**	**(393,813)**	**-**	**96,076**
Land and Buildings	**448,449**	**(53,694)**	**(14,198)**	**380,557**
Assets under Construction	**714,902**	**-**	**-**	**714,902**
Strategic Inventory	**289,868**	**(1,636)**	**-**	**288,232**
Total	**26,530,353**	**(4,585,459)**	**(903,553)**	**21,041,341**
2016				
Ruacana Power Station	6,261,907	(814,774)	-	5,447,134
Van Eck Power Station	1,603,889	(284,084)	(26)	1,319,779
Paratus Power station	34,579	(30,662)	(2,630)	1,285
Anixas Power Station	535,503	(42,597)	(6,526)	486,380
Transmission Systems	15,094,660	(2,214,124)	(873,309)	12,007,228
Aircraft Fleet	54,738	(9,511)	(6,866)	38,362
Machinery and Equipment	422,330	(355,971)	-	66,359
Land and Buildings	445,795	(42,748)	(14,198)	388,850
Assets Under Construction	1,116,829	-	-	1,116,829
Strategic Inventory	298,291	(1,636)	-	296,655
Total	25,868,521	(3,796,106)	(903,553)	21,168,861

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Cost/Valuation N$'000	Accumulated Depreciation N$'000	Accumulated Impairment N$'000	Carrying Amount N$'000
COMPANY				
2017				
Ruacana Power Station	**6,399,633**	**(959,290)**	**-**	**5,440,343**
Van Eck Power Station	**1,943,845**	**(433,559)**	**(26)**	**1,510,260**
Paratus Power Station	**34,579**	**(31,949)**	**(2,630)**	**-**
Anixas Power Station	**535,502**	**(56,704)**	**(6,526)**	**472,272**
Transmission Systems	**15,618,823**	**(2,643,024)**	**(873,308)**	**12,102,490**
Aircraft Fleet	**54,738**	**(11,663)**	**(6,866)**	**36,209**
Machinery and Equipment	**487,391**	**(391,313)**	**-**	**96,078**
Land and Buildings	**428,811**	**(52,472)**	**(14,198)**	**362,141**
Assets Under Construction	**714,902**	**-**	**-**	**714,902**
Strategic Inventory	**289,868**	**(1,636)**	**-**	**288,232**
Total	**26,508,091**	**(4,581,610)**	**(903,553)**	**21,022,926**
2016				
Ruacana Power Station	6,261,907	(814,774)	-	5,447,133
Van Eck Power Station	1,603,889	(284,084)	(26)	1,319,779
Paratus Power Station	34,579	(30,664)	(2,630)	1,285
Anixas Power Station	535,503	(42,597)	(6,526)	486,380
Transmission Systems	15,094,533	(2,213,997)	(873,308)	12,007,228
Aircraft Fleet	54,738	(9,510)	(6,866)	38,362
Machinery and Equipment	419,832	(353,471)	-	66,361
Land and Buildings	426,158	(41,701)	(14,198)	370,259
Assets Under Construction	1,116,829	-	-	1,116,829
Strategic Inventory	298,291	(1,636)	-	296,655
Total	25,846,258	(3,792,434)	(903,553)	21,150,271

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000	Anixas Power Station N$'000
CONSOLIDATED				
2017				
Carrying amount at 1 July 2016	5,447,133	1,319,779	1,287	486,380
- At cost/valuation	6,261,907	1,603,889	34,579	535,503
- Accumulated impairment	-	(26)	(2,630)	(6,526)
- Accumulated depreciation	(814,774)	(284,084)	(30,662)	(42,597)
Reclassifications	(3)	(3)	-	(1)
- At cost/valuation	(3)	(3)	-	(1)
- Accumulated depreciation	-	-	-	-
Additions	-	-	-	-
Assets under construction completed	137,729	339,959	-	-
Strategic inventory items issued	-	-	-	-
Transfer to intangible assets	-	-	-	-
Depreciation for the year	(144,516)	(149,475)	(1,287)	(14,107)
Carrying amount at 30 June 2017	5,440,343	1,510,260	-	472,272
- At cost/valuation	6,399,633	1,943,844	34,579	535,502
- Accumulated impairment	-	(26)	(2,630)	(6,526)
- Accumulated depreciation	(959,290)	(433,559)	(31,949)	(56,704)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Transmission Systems N$'000	Aircraft Fleet N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Assets under Construction N$'000	Strategic Inventory N$'000	Total N$'000
12,007,228	38,362	66,359	388,850	1,116,829	296,655	21,168,861
15,094,660	54,738	422,330	445,795	1,116,829	298,291	25,868,520
(873,308)	(6,866)	-	(14,198)	-	-	(903,553)
(2,214,124)	(9,511)	(355,971)	(42,748)	-	(1,636)	(3,796,106)
262	-	(331)	73	-	-	(3)
262	-	(331)	73	-	-	(3)
-	-	-	-	-	-	-
9	-	67,285	-	628,887	28,364	724,545
524,019	-	26,527	2,580	(1,030,814)	-	-
-	-	-	-	-	(36,787)	(36,787)
-	-	(25,922)	-	-	-	(25,922)
(429,027)	(2,153)	(37,842)	(10,946)	-	-	(789,353)
12,102,490	36,208	96,076	380,557	714,902	288,232	21,041,341
15,618,949	54,738	489,889	448,449	714,902	289,868	26,530,353
(873,308)	(6,866)	-	(14,198)	-	-	(903,553)
(2,643,151)	(11,664)	(393,813)	(53,694)	-	(1,636)	(4,585,459)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000	Anixas Power Station N$'000
CONSOLIDATED				
2016				
Carrying amount at 1 July 2015	**1,583,328**	**137,763**	**29,592**	**232,471**
- At cost/valuation	2,273,486	275,205	61,345	261,719
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(690,158)	(137,442)	(29,347)	(29,248)
Additions	-	-	-	-
Assets under construction completed	17,181	-	-	31,908
Strategic inventory items issued	-	-	-	-
Transfer from intangible assets	-	-	-	-
Transfer to inventories	-	-	-	-
Transfer from investment property	-	-	-	-
Revaluation	3,971,240	1,328,684	-	241,876
Reversal of previous revaluations	-	-	(26,766)	-
Impairment	-	(26)	(224)	(6,526)
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(124,616)	(146,642)	(1,315)	(13,349)
Carrying amount at 30 June 2016	**5,447,133**	**1,319,779**	**1,287**	**486,380**
- At cost/valuation	6,261,907	1,603,889	34,579	535,503
- Accumulated impairment	-	(26)	(2,630)	(6,526)
- Accumulated depreciation	(814,774)	(284,084)	(30,662)	(42,597)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	Transmission Systems N$'000	Aircraft Fleet N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Assets under Construction N$'000	Strategic Inventory N$'000	Total N$'000
	11,189,628	**29,107**	**63,327**	**287,634**	**1,367,421**	**315,624**	**15,235,895**
	13,512,897	43,330	386,702	324,370	1,367,421	317,260	18,823,735
	(511,308)	(6,866)	-	(4,691)	-	-	(525,271)
	(1,811,961)	(7,357)	(323,375)	(32,045)	-	(1,636)	(3,062,569)
	107	-	36,662	1,339	407,880	57,121	503,109
	604,968	-	651	3,764	(658,472)	-	-
	-	-	-	-	-	(11,397)	(11,397)
	-	-	36	-	-	-	36
	-	-	-	-	-	(100,717)	(100,717)
	-	-	-	345	-	-	345
	1,599,898	11,408	-	129,237	-	36,024	7,318,367
	(623,211)	-	-	(13,260)	-	-	(663,237)
	(362,000)	-	-	(9,506)	-	-	(378,282)
	-	-	(195)	-	-	-	(195)
	-	-	(1,721)	-	-	-	(1,721)
	-	-	1,526	-	-	-	1,526
	(402,163)	(2,153)	(34,122)	(10,703)	-	-	(735,063)
	12,007,227	**38,362**	**66,359**	**388,850**	**1,116,829**	**296,655**	**21,168,861**
	15,094,660	54,738	422,330	445,795	1,116,829	298,291	25,868,520
	(873,308)	(6,866)	-	(14,198)	-	-	(903,553)
	(2,214,124)	(9,511)	(355,971)	(42,748)	-	(1,636)	(3,796,106)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000	Anixas Power Station N$'000
COMPANY				
2017				
Carrying amount at 1 July 2016	5,447,133	1,319,779	1,285	486,380
- At cost/valuation	6,261,907	1,603,889	34,579	535,503
- Accumulated impairment	-	(26)	(2,630)	(6,526)
- Accumulated depreciation	(814,774)	(284,084)	(30,664)	(42,597)
Reclassifications	(3)	(3)	-	(1)
- At cost/valuation	(3)	(3)	-	(1)
- Accumulated depreciation	-	-	-	-
Additions	-	-	-	-
Assets under construction completed	137,729	339,959	-	-
Strategic inventory items issued	-	-	-	-
Transfer to intangible assets	-	-	-	-
Depreciation for the year	(144,516)	(149,475)	(1,285)	(14,107)
Carrying amount at 30 June 2017	5,440,343	1,510,260	-	472,272
- At cost/valuation	6,399,633	1,943,845	34,579	535,502
- Accumulated impairment	-	(26)	(2,630)	(6,526)
- Accumulated depreciation	(959,290)	(433,559)	(31,949)	(56,704)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Transmission Systems N$'000	Aircraft Fleet N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Assets under Construction N$'000	Strategic Inventory N$'000	Total N$'000
12,007,228	38,362	66,361	370,259	1,116,829	296,655	21,150,271
15,094,533	54,738	419,832	426,158	1,116,829	298,291	25,846,258
(873,308)	(6,866)	-	(14,198)	-	-	(903,553)
(2,213,997)	(9,510)	(353,471)	(41,701)	-	(1,636)	(3,792,434)
262	-	(331)	73	-	-	(3)
262	-	(331)	73	-	-	(3)
-	-	-	-	-	-	-
9	-	67,285	-	628,887	28,364	724,545
524,019	-	26,527	2,580	(1,030,814)	-	-
-	-	-	-	-	(36,787)	(36,787)
-	-	(25,922)	-	-	-	(25,922)
(429,027)	(2,153)	(37,842)	(10,771)	-	-	(789,178)
12,102,490	36,209	96,078	362,141	714,902	288,232	21,022,926
15,618,823	54,738	487,391	428,811	714,902	289,868	26,508,091
(873,308)	(6,866)	-	(14,198)	-	-	(903,553)
(2,643,024)	(11,663)	(391,313)	(52,472)	-	(1,636)	(4,581,610)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000	Anixas Power Station N$'000
COMPANY				
2016				
Carrying amount at 1 July 2015	**1,583,328**	**137,763**	**29,591**	**232,471**
- At cost/valuation	2,273,486	275,205	61,345	261,719
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(690,158)	(137,442)	(29,348)	(29,248)
Additions	-	-	-	-
Assets under construction completed	17,181	-	-	31,908
Strategic inventory items issued	-	-	-	-
Transfer from intangible assets	-	-	-	-
Transfer to inventories	-	-	-	-
Transfer from investment property	-	-	-	-
Revaluation	3,971,240	1,328,684	-	241,876
Reversal of previous revaluations	-	-	(26,766)	-
Impairment	-	(26)	(224)	(6,526)
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(124,616)	(146,642)	(1,316)	(13,349)
Carrying amount at 30 June 2016	**5,447,133**	**1,319,779**	**1,285**	**486,380**
- At cost/valuation	6,261,907	1,603,889	34,579	535,503
- Accumulated impairment	-	(26)	(2,630)	(6,526)
- Accumulated depreciation	(814,774)	(284,084)	(30,664)	(42,597)

Transmission Systems N$'000	Aircraft Fleet N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Assets under Construction N$'000	Strategic Inventory N$'000	Total N$'000
11,189,628	**29,107**	**63,329**	**276,929**	**1,367,421**	**315,624**	**15,225,191**
13,512,770	43,330	384,204	312,793	1,367,421	317,260	18,809,533
(511,308)	(6,866)	-	(4,691)	-	-	(525,271)
(1,811,834)	(7,357)	(320,875)	(31,173)	-	(1,636)	(3,059,071)
107	-	36,662	1,339	407,880	57,121	503,109
604,968	-	651	3,764	(658,472)	-	-
-	-	-	-	-	(11,397)	(11,397)
-	-	36	-	-	-	36
-	-	-	-	-	(100,717)	(100,717)
-	-	-	345	-	-	345
1,599,898	11,408	-	121,177	-	36,024	7,310,307
(623,211)	-	-	(13,260)	-	-	(663,237)
(362,000)	-	-	(9,506)	-	-	(378,282)
-	-	(195)	-	-	-	(195)
-	-	(1,721)	-	-	-	(1,721)
-	-	1,526	-	-	-	1,526
(402,163)	(2,153)	(34,122)	(10,528)	-	-	(734,889)
12,007,227	**38,362**	**66,361**	**370,260**	**1,116,829**	**296,655**	**21,150,271**
15,094,533	54,738	419,832	426,158	1,116,829	298,291	25,846,258
(873,308)	(6,866)	-	(14,198)	-	-	(903,553)
(2,213,997)	(9,510)	(353,471)	(41,701)	-	(1,636)	(3,792,434)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 Assets under construction

CONSOLIDATED AND COMPANY

	Power Stations N$'000	Transmission Systems N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Total N$'000
2017					
Opening Balance	**354,325**	**620,708**	**132,078**	**9,718**	**1,116,829**
Reclassification	**97,478**	**10,960**	**(103,494)**	**(4,944)**	**-**
Additions	**44,872**	**581,014**	**7,429**	**6,924**	**640,239**
Property, plant and equipment capitalised	**(489,039)**	**(524,019)**	**(26,527)**	**(2,581)**	**(1,042,166)**
Closing balance	**7,636**	**688,663**	**9,486**	**9,117**	**714,902**
2016					
Opening Balance	334,656	913,695	110,146	8,924	1,367,421
Additions	68,758	311,981	22,583	4,558	407,880
Property, plant and equipment capitalised	(49,089)	(604,968)	(651)	(3,764)	(658,472)
Closing balance	354,325	620,708	132,078	9,718	1,116,829

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.2 Land and buildings (owner-occupied properties)

The revaluation of land and buildings were performed externally effective 1 July 2015 by independent valuer, Nadia van der Smit of Gert Hamman Property Valuers CC. Gert Hamman Property Valuers CC is not connected to the Group. The valuations were performed on the basis of replacement value where no ready market exists or market value as estimated by sworn appraisers.

Details of properties registered in the Company's name are available for inspection at the registered office of the Company.

Houses at Ruacana township are erected on land in the Kunene Region for which occupational rights were obtained. Occupational rights means the Company has ownership of the building but not of the land. Permission to occupy (PTO) agreements are available at the Company's premises for inspection.

6.3 Transmission Systems

A number of distribution and substations are erected on or are under construction on land which does not belong to the Company. Occupational rights are secured by agreements between the owners and Namibia Power Corporation (Proprietary) Limited. Servitudes in favour of Namibia Power Corporation (Proprietary) Limited in respect of these occupational rights are registered with the registrar of deeds and are available at the Company's premises for inspection.

6.4 Ruacana Power Station

The Ruacana Power Station is erected on land in the Kunene Region for which occupational rights were obtained. The Diversion Weir is erected in Angola and acts as water storage for Ruacana Power Station.

6.5 Valuation of power stations, transmission System and aircraft fleet

The power stations, transmission systems and aircraft fleet were revalued externally effective 1 July 2015 by independent valuers namely, Mott MacDonald South Africa, on the basis of their replacement value as adjusted for the remaining useful lives of the assets.

The replacement value of the Ruacana and Van Eck Power stations and the Transmission System have significantly increased mainly due to an increase in gross capacity, life extension and uprate Projects undertaken and the siginificant weakening of the Namibia (N$) against the United States Dollar (US$).

The valuators have extensive experience in the valuation of generation, transmission and distribution assets.

6.6 Reconciliation of the carrying amount

Cost

The carrying amount that would have been recognised had the assets been measured under the cost model, for each revalued class of property, plant and equipment is not disclosed because it is impracticable. The Group's core assets have always been carried at the revalued amount before the implementation of IFRS and the historical values were not seperately disclosed and are therefore not available.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.7 Reconciliation of the revaluation surplus

2017	**CONSOLIDATED**	**COMPANY**	**CONSOLIDATED**	**COMPANY**
	Capital Revaluation Reserve (net of tax) N$'000	**Capital Revaluation Reserve (net of tax) N$'000**	**Strategic Inventory Revaluation Reserve N$'000**	**Strategic Inventory Revaluation Reserve N$'000**
Opening balance at 1 July 2016	**(11,717,163)**	**(11,492,779)**	**(99,880)**	**(99,880)**
Change for the period	-	-	-	-
Revaluation	-	-	-	-
Reversal of previous revaluations	-	-	-	-
Tax rate change on previous revaluation recognised in other comprehensive income	-	-	-	-
Closing balance at 30 June 2017	**(11,717,163)**	**(11,492,779)**	**(99,880)**	**(99,880)**
2016				
Opening balance at 1 July 2015	(7,110,050)	(6,894,364)	(63,856)	(63,856)
Change for the period	(4,607,113)	(4,598,414)	(36,024)	(36,024)
Revaluation	(4,951,994)	(4,946,514)	(36,024)	(36,024)
Reversal of previous revaluations	451,001	451,001	-	-
Tax rate change on previous revaluation recognised in other comprehensive income	-	(102,091)	-	-
Closing balance at 30 June 2016	(11,717,163)	(11,492,779)	(99,880)	(99,880)

There is no restriction on the distribution of the balance to the shareholder.

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.8 Measurement of fair value:

(i) Fair value hierarchy

The fair value measurements for the land and buildings have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

The fair value measurements of the power stations, transmission systems and strategic inventory have been categorised as Level 2 fair values based on observable market sales data.

The fair value measurements for the aircraft fleet have been categorised as Level 1 fair values based on the market price in active markets for similar assets.

(ii) Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	CONSOLIDATED		COMPANY	
Land and buildings	**2017 N$'000**	2016 N$'000	**2017 N$'000**	2016 N$'000
Opening balance 1 July	**388,850**	287,634	**370,260**	276,929
Additions and reclassification from property, plant and equipment	**2,653**	5,447	**2,652**	5,447
Depreciation	**(10,946)**	(10,703)	**(10,771)**	(10,528)
Loss included in other comprehensive income				
- Changes in fair value (unrealised)	**-**	106,472	**-**	98,412
Closing balance 30 June	**380,557**	388,850	**362,141**	370,260

(iii) Transfers between levels

There were no transfers between the fair value hierarchy levels.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.8 Measurement of fair value (continued)

(iv) Valuation techniques and significant observable and unobservable inputs used

The following table shows the valuation techniques used in measuring Level 1, Level 2 and Level 3 fair values, as well as the significant inputs used.

Property, Plant and Equipment Item	Level	Valuation Technique	Description of Valuation Technique	Observable Inputs	Significant Unobservable Inputs of Level 3 Item	Inter-relationship between Key Unobservable Inputs and Fair Value Measurement
Power Stations	2	Depreciated Replacement Cost (DRC) Method	The DRC method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration, which are subsequently depreciated (on a straight line basis (SLB) in accordance with NamPower's existing policy) to match the remaining life of the asset under consideration.	Market prices, exchange rates, discounted rate	Not applicable	Not applicable
Transmission Systems	2	Depreciated Replacement Cost (DRC) Method	The DRC method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration, which are subsequently depreciated (on a straight line basis (SLB) in accordance with NamPower's existing policy) to match the remaining life of the asset under consideration.	Market prices, exchange rates, discounted rate	Not applicable	Not applicable
Aircraft Fleet	1	Market comparable prices	The fair value of the aircraft fleet was determined through consideration of the published aircraft bluebook as well as consideration of prevailing prices for identical aircraft fleet of a similar age and operating hours (both for the engines and airframes) on the international market.	Market prices	Not applicable	Not applicable
Land and Buildings	3	Depreciated Cost Approach	This method determines the present market value of the subject property by estimating the present cost of replacing the building(s) by estimating the total amount of accrued depreciation from all causes, namely physical deterioration, functional obsolescence and external obsolescence, subtracting the accrued depreciation from the present replacement costs, estimating the value of minor improvements and adding the site value to the depreciated cost of the building(s)	Not applicable	Expected market rental growth (5 - 8%)	The estimated fair value would increase (decrease) if:
					Risk adjusted discount rates (8 - 10%)	• expected market rental growth was higher (lower); • the risk-adjusted discount rate was lower (higher).
					Expected vacancy rate (Commercial: 2 - 8%)	• void periods were shorter (longer); • the occupancy rate was higher (lower);
					Expected vacancy rate (Residential: 2 - 3%)	• rent-free periods were shorter (longer).
Strategic Inventory	2	Depreciated Replacement Cost (DRC) Method	The DRC method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration, which are subsequently depreciated (on a straight line basis (SLB).	Market prices, exchange rates	Not applicable	Not applicable

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.8 Measurement of fair value (continued)

Sensitivity analysis for land and buildings categorised into Level 3 of the fair value hierarchy:

A slight increase in the depreciated factor would result in a significant decrease in the fair value of the buildings, and a slight increase in the estimated construction costs would result in a significant increase in the fair value of the buildings, and vice versa.

Valuation processes

For recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the Group uses the valuation processes to decide its valuation policies and procedures and analyse changes in fair value measurements from period to period.

The Group's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. The responsibility of ongoing measurement resides with the business divisions. Once submitted, fair value estimates are also reviewed and challenged by Chief Financial officer (CFO).

The CFO validates fair value estimates by:

- Benchmarking prices against observable market prices or other independent sources;
- Evaluating and validating input parameters;
- Verifying third party sources (micro or macro economy input); and
- Understanding the valuation methodologies and sources of inputs and verifying their suitability for IFRS reporting requirements.

6.9 Impairment loss

No impairment loss on property, plant and equipment was recognised during the 2017 financial year.

During the 2016 financial year, the Company performed an asset revaluation on the core assets and a separate property revaluation on land and buildings. During this review, the Company determined the carrying amount and recoverable amount of its assets and recognised an impairment loss of N$378.2 million principally on its transmission assets. The level of fair value hierarchy and the descriptions of the valuation techniques used to determine fair value of the cash-generating unit is disclosed in the note above.

Environmental factors such as high corrosion rates along the West Coast of Namibia and the future role of the asset was taken into consideration when the assessment for impairment was performed.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES

7.1 Subsidiary companies

Name	Nature of Operation	Country of Incorporation	Date of Incorporation	Issued Share Capital N$
Directly held				
Capricorn Power Supply (Pty) Ltd	Dormant	Republic of Namibia	25/02/1999	**2,500**
Less: impairment of investment	-		-	**-**
Premier Electric (Pty) Ltd	Dormant	Republic of Namibia	31/10/2000	**2,500**
Okaomba Investment (Pty) Ltd	Property holding	Republic of Namibia	01/03/2000	**100**

Loans due from:

Premier Electric (Pty) Ltd

Okaomba Investment (Pty) Ltd

Total interest in subsidiaries (shares at cost plus loans from subsidiaries)

Loans due from subsidiaries are non-interest bearing, unsecured and do not have fixed terms of repayment.

Loans payable to:

Premier Electric (Pty) Ltd

Loans payable to subsidiaries are non-interest bearing, unsecured and do not have fixed terms of repayment.

There are no restrictions on the ability of subsidiaries to transfer funds to the Company in the form of cash dividends or to repay loans or advances.

There are no restrictions on the ability of subsidiaries to access assets and settle liabilities.

Trade and other receivables/payables to the subsidiaries and associates are disclosed in note 27.

Director's valuation

The Directors valued the investments in unlisted equities and determined it to be equal to the carrying value of the investment.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Percentage Holding 2017 %	Percentage Holding 2016 %	Shares at Cost 2017 N$'000	Shares at Cost 2016 N$'000	Total Investment 2017 N$'000	Total Investment 2016 N$'000
100	100	2	2	2	2
-	-	(2)	(2)	(2)	(2)
100	100	5,000	5,000	5,000	5,000
100	100	944	944	944	944
		5,944	5,944	5,944	5,944

Due by subsidiaries 2017 N$'000	Due by subsidiaries 2016 N$'000
2	2
3,298	3,298
3,300	3,300
9,244	9,244
(6,388)	(6,384)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
7.2 Associates				
Carrying amount of associates				
Carrying amount at beginning of year	**564,252**	527,953	**173,232**	173,232
Equity accounted earnings	**7,064**	36,299	**-**	-
Dividend received	**(5,850)**	-	**-**	-
	565,466	564,252	**173,232**	173,232
Post-acquisition reserves				
Retained earnings	**156,335**	155,121		
Share of opening retained earnings	**155,121**	118,822		
Dividends declared	**(5,850)**	-		
Share of current year income	**7,064**	36,299		
Non-distributable reserves	**409,131**	409,131		
Share of opening revaluation and development reserve	**409,131**	409,131		
	565,466	564,252		

The Group holds a 33.33% equity interest in Nored Electricity (Pty) Ltd but has less than 33.33% of the voting rights. The Group has performed an assessment and determined that it does not have control over the relevant activities but still exhibits significant influence over the associate.

During 2006, the Company held a 50.20% investment in Central-North Electricity Distribution Company (Proprietary) Limited (CENORED). The 50.20% was an interim shareholding until such a time as the distribution assets of the Company had been valued. The valuation of the distribution assets which were contributed to the Company by the various shareholders was conducted during the 2006/2007 financial year. The valuation of the assets contributed by the various shareholders resulted in the percentage holding in CENORED by NamPower reducing to 45.05% on 28 June 2007.

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

7.3 The summarised financial statements of Nored Electricity (Pty) Ltd are as follows:

	CONSOLIDATED	
	2017 N$'000	2016 N$'000
	Unaudited	Unaudited
Statement of financial position		
Non current assets	**1,253,316**	1,188,213
Current assets	**281,030**	260,734
Non current liabilities	**(558,424)**	(444,407)
Current liabilities	**(159,058)**	(189,367)
	816,864	815,173
Statement of comprehensive income		
Revenue	**911,585**	714,015
Expenditure	**(901,626)**	(652,328)
Dividend paid	**-**	-
Profit before taxation	**9,959**	61,687
Taxation	**(3,187)**	(12,386)
Profit from continuing operations for the year	**6,772**	49,301
Other comprehensive income	**-**	-
Total comprehensive income	**6,772**	49,301

The Group holds a 45.05% equity interest in Central-North Electricity Distribution Company (Pty) Ltd (CENORED) but has less than 45.05% of the voting rights. The Group has performed an assessment and determined that it does not have control over the relevant activities but still exhibits significant influence over the associate.

7.4 The summarised financial statements of Central-North Electricity Distribution Company (Pty) Ltd (CENORED) are as follows:

	CONSOLIDATED	
	2017 N$'000	2016 N$'000
Statement of financial position	**Unaudited**	Audited
Non current assets	**683,026**	589,236
Current assets	**137,337**	186,073
Non current liabilities	**(250,223)**	(203,842)
Current liabilities	**(87,015)**	(85,006)
	483,125	486,461

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

7.4 The summarised financial statements of Central-North Electricity Distribution Company (Pty) Ltd (CENORED) are as follows (continued):

	CONSOLIDATED	
	2017 N$'000	2016 N$'000
Statement of comprehensive income	**Unaudited**	Audited
Revenue	**606,680**	530,676
Expenditure	**(588,515)**	(493,973)
Dividend paid	**(5,850)**	-
Profit before taxation	**12,315**	36,703
Taxation	**-**	(4,453)
Profit from continuing operations for the year	**12,315**	32,250
Other comprehensive income	**-**	(962)
Total comprehensive income	**12,315**	31,288

7.5 The Associates are engaged in the supply and distribution of electricity in the northern regions and the central-north regions of Namibia. The Regional Electricity Distributors (REDs) have taken over the distribution function of the Company and is strategic to the entity's activities.

The Company's associates are all incorporated in the Republic of Namibia which is also the principle place of business.

The Company has no obligation to recognise contingent liabilities of its subsidiaries and associates.

There are no restrictions on the ability of associates to transfer funds to the Company in the form of cash dividends.

None of the Company's associates are publicly listed entities and consequentially do not have published price quotations.

8. INVESTMENT PROPERTIES

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Opening balance	**18,429**	15,367	**18,429**	15,367
Fair value adjustment	**1,262**	3,407	**1,262**	3,407
Transfer to land and buildings	**-**	(345)	**-**	(345)
Closing balance	**19,691**	18,429	**19,691**	18,429

Investment properties comprise a number of commercial properties that are leased to third parties and vacant land held for capital appreciation. Included in investment properties is Erf number 6321 (a portion of Erf number 5627), Ongwediva that is being rented to a third party under operating lease. No contingent rentals are charged.

Rental income and direct operating expenses relating to the investment properties are disclosed in note 26.

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of the disposal of investment property.

(a) Measurement of fair value

(i) Fair value hierarchy

During June 2017 the fair value of all investment properties was determined by an independent qualified property valuer (Gert Hamman Property Valuers CC) who has extensive experience in the Namibian property market. The fair value of the Group's investment property portfolio is provided annually by independent valuers.

The fair value measurement for investment property of N$19.7 million (2016: N$18.4 million) has been categorised as a Level 3 fair value based on the inputs to the valuation method used.

(ii) Level 3 fair value

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	CONSOLIDATED 2017 N$'000	CONSOLIDATED 2016 N$'000	COMPANY 2017 N$'000	COMPANY 2016 N$'000
Opening balance	**18,429**	15,367	**18,429**	15,367
Additions and reclassification from property, plant and equipment	**-**	(345)	**-**	(345)
Gain included in 'other income'				
- Changes in fair value (unrealised)	**1,262**	3,407	**1,262**	3,407
Closing balance	**19,691**	18,429	**19,691**	18,429

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

8. INVESTMENT PROPERTIES (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement	Sensitivity
Income Capitalisation Method: The commercial properties' fair values were based on this valuation technique which involves the determining of the net income of the property that will be capitalised at a rate sought by prudent investors to determine the capitalised value of the subject property.	• Expected market rental growth: commercial and residential properties (0-3%) • Void periods (commercial properties average 1 months and residential properties average 1 month after the end of each lease)	The estimated fair value would increase (decrease) if: • Expected market rental growth were higher (lower); • Void periods were shorter (longer);	A slight increase in the capitalisation rate used would result a significant decrease in fair value, and vice versa. A significant increase in the market rent used would result in a significamt increase in fair value, and vice versa.
Direct Sales Comparison Method: This valuation technique was used in determining the fair values of the residential properties which are classified as investment property. The method calculates the market value by comparing the property's characteristics with those of comparable properties which have recently sold in similar transactions. Details of the properties registered in the Group and Company's name are available for inspection at the registered office of the Group.	• Occupancy rate (commercial: 95% and residential: 98%) • Rent-free periods (Nill) • Risk-adjusted discount rates: Commercial and residential properties (2%)	• The occupancy rate were higher (lower); • Rent-free periods were shorter (longer); or • The risk-adjusted discount rate were lower (higher).	

9. INTANGIBLE ASSETS

Computer software	CONSOLIDATED 2017 N$'000	2016 N$'000	COMPANY 2017 N$'000	2016 N$'000
Opening carrying amount - 1 July	**2,908**	3,736	**2,908**	3,736
- At cost	**74,136**	73,446	**74,136**	73,446
- Accumulated amortisation and accumulated impairment	**(71,228)**	(69,710)	**(71,228)**	(69,710)
Additions	**2,413**	727	**2,413**	727
Transfer from property, plant and equipment	**25,922**	(37)	**25,922**	(37)
Amortisation	**(1,893)**	(1,518)	**(1,893)**	(1,518)
Closing carrying amount - 30 June	**29,350**	2,908	**29,350**	2,908
- At cost	**102,471**	74,136	**102,471**	74,136
- Accumulated amortisation and accumulated impairment	**(73,121)**	(71,228)	**(73,121)**	(71,228)

No intangible assets were acquired by way of a government grant.

No intangible assets were pledged as securities for liabilities.

No intangible assets were impaired.

Included in the carrying amount of computer software at 30 June 2017 is an amount of N$17.5 million related to the Electronic Document and Records Management System (EDRMS) with a remaining amortisation period of 5 years.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

10. LOANS RECEIVABLE

	CONSOLIDATED		COMPANY	
Computer software	**2017 N$'000**	2016 N$'000	**2017 N$'000**	2016 N$'000
Employee loans	**2,042**	1,774	**2,042**	1,774
Loan to Ohorongo Cement (Pty) Ltd	**12,126**	6,993	**12,126**	6,993
Loan to City of Windhoek	**-**	14,891	**-**	14,891
	14,168	23,658	**14,168**	23,658
Less: Instalments receivable within one year transferred to current assets.	**(4,507)**	(7,050)	**(4,507)**	(7,050)
	9,661	16,608	**9,661**	16,608

There are no loans receivables that are past due but not impaired.

Employee loans comprise of:

Employee study loans.
Employee study loans are interest free and repayable over the duration of the study period.

Loan to Ohorongo Cement (Pty) Ltd

The Company approved a loan to Ohorongo Cement (Pty) Ltd amounting to N$22.2 million for the additional capital contribution for the power supply to Ohorongo Cement Factory. The loan was advanced in two phases in the form of Project pre-financing by Nampower during the construction of the supply to Ohorongo Cement (Pty) Ltd as follows:
* Phase 1 - Temporary Supply (4 MVA) - N$10.7 million
* Phase 2 - Main Supply (25 MVA) - N$11.5 million

The loan is repayable by monthly instalments over a period of ten years at a variable interest rate of prime less 2%.

Loan to the City of Windhoek

The Company approved a loan to the City of Windhoek amounting to N$24.8 million for the upgrade of the power supply infrastructure at Van Eck Coupling Transformer 2. The loan is payable by monthly instalments over a period of ten years at a variable interest rate of prime plus 2%.

The Group's exposure to credit, currency and interest rate risks related to loans receivable is disclosed in note 29.

The carrying amount of loans receivables approximates its fair value.

11. INVESTMENTS

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Non-current investments	**1,261,372**	977,789	**1,261,372**	977,789
Held-to-maturity debt instruments at amortised cost	**1,238,296**	954,713	**1,238,296**	954,713
Investment in unlisted equities				
Erongored (Pty) Ltd	**23,076**	23,076	**23,076**	23,076
- Cost	**25,232**	25,232	**25,232**	25,232
- Accumulated impairment	**(2,156)**	(2,156)	**(2,156)**	(2,156)
Westcor (Pty) Ltd	**-**	-	**-**	-
- Cost	**642**	642	**642**	642
- Accumulated impairment	**(642)**	(642)	**(642)**	(642)
Current investments	**4,404,320**	4,139,474	**4,404,320**	4,139,474
Available-for-sale:				
- listed equity	**1,636**	1,524	**1,636**	1,524
Financial assets at fair value through profit or loss:				
- collective investment schemes	**1,107,683**	952,950	**1,107,683**	952,950
Fixed deposits at amortised cost	**3,295,000**	3,185,000	**3,295,000**	3,185,000
Total investments	**5,665,692**	5,117,263	**5,665,692**	5,117,263

Held to maturity investments with a carrying value of N$51.5 million (2016: N$114.3 million) have been encumbered and act as security for long-term loans (refer note 17.1.4).

The Group's exposure to credit, currency and interest rate risks related to investments is disclosed in note 29.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

12. INVENTORIES

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Maintenance spares and consumables	**224,247**	221,315	**224,247**	221,315
Fuel and coal	**55,676**	89,319	**55,676**	89,319
Obsolete stock recognised in profit or loss	**(764)**	(756)	**(764)**	(756)
	279,159	309,878	**279,159**	309,878

No inventory was pledged as security.

There are no items of inventory that are stated at net realisable value.

Inventory amounting to N$115.9 million (2016: N$92.9 million) was recognised as an expense in profit or loss.

13. TRADE AND OTHER RECEIVABLES

Trade receivables	**949,241**	680,410	**949,241**	680,410
- Gross receivables	**1,207,773**	935,636	**1,207,773**	935,636
- Allowance for impairment losses	**(258,532)**	(255,226)	**(258,532)**	(255,226)
External project receivables	**188,701**	270,974	**188,701**	270,974
Prepayments	**28,100**	36,766	**28,100**	36,766
Project and other advances	**456**	725	**456**	725
Other receivables	**1,903**	28,221	**1,903**	28,221
Accrued interest	**154,252**	95,955	**154,252**	95,955
	1,322,653	1,113,051	**1,322,653**	1,113,051

An impairment loss of N$3.3 million (2016: N$235.3 million) in respect of trade receivables was recognised in profit or loss.

A reconciliation of the allowance for impairment losses are disclosed in note 29.4.4.

The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in note 29.

The carrying amount of trade and other receivables approximates its fair value.

Related party receivables

Included in trade and other receivables are amounts due from related parties for Group and Company. These have been disclosed in note 27.

14. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Cash and cash equivalents consist of:				
Cash on hand	**54**	64	**54**	64
Bank balances	**420,059**	323,904	**420,059**	323,904
Short term deposits	**1,448,886**	1,383,621	**1,448,886**	1,383,621
	1,868,999	1,707,589	**1,868,999**	1,707,589

All the cash and cash equivalents are available for use by the Group.

The Group's exposure to credit, currency and interest rate risks related to cash and cash equivalents is disclosed in note 29.

The carrying amount of cash and cash equivalents approximates its fair value.

15. TAXATION

Namibian Company Tax

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Current taxation	**389,301**	-	**389,301**	-
Tax rate change recognised in profit or loss	**-**	(28,496)	-	(31,715)
Deferred taxation	**(12,279)**	(200,722)	**(12,176)**	(201,853)
Taxation recognised in profit or loss	**377,022**	(229,218)	**377,125**	(233,568)
Tax rate change on previous revaluation recognised in other comprehensive income	**-**	(106,120)	-	(102,901)
Taxation recognised in other comprehensive income	**(1,924)**	2,122,179	**(1,924)**	2,119,600
Total taxation	**375,098**	1,786,841	**375,201**	1,783,131
Tax rate reconciliation	**%**	%	**%**	%
Standard Tax Rate	**32.00**	32.00	**32.00**	32.00
Adjusted for:				
Kudu project	**0.26**	(1.29)	**0.26**	(1.20)
Social responsibility	**0.22**	(0.53)	**0.22**	(0.49)
Donations	**0.14**	(0.39)	**0.14**	(0.37)
Other items not deductible for tax purposes	**0.09**	(0.75)	**0.12**	(0.34)
Government grant	**(1.57)**	4.31	**(1.57)**	4.03
Other exempt income	**(0.12)**	5.21	**(0.12)**	2.99
Effect of tax rate change	-	5.92	-	5.75
Remeasurement IAS19	**(0.13)**	-	**(0.13)**	-
Manufacturing deduction	**(3.80)**	-	**(3.80)**	-
Effective tax rate	**27.09**	44.48	**27.12**	42.37

NOTES TO THE FINANCIAL STATEMENTS
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15 TAXATION (continued)

Taxation recognised in other comprehensive income

	CONSOLIDATED			COMPANY		
2017	**Before tax**	**Tax expense (benefit)**	**Net of tax**	**Before tax**	**Tax expense (benefit)**	**Net of tax**
Remeasurements of post retirement medical benefits	**6,013**	**(1,924)**	**4,089**	**6,013**	**(1,924)**	**4,089**
Available-for-sale financial assets	**(112)**	**-**	**(112)**	**(112)**	**-**	**(112)**
Revaluation of property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**-**
Revaluation of strategic stock	**-**	**-**	**-**	**-**	**-**	**-**
	5,901	**(1,924)**	**3,977**	**5,901**	**(1,924)**	**3,977**
2016						
Remeasurements of post retirement medical benefits	(12,703)	4,065	(8,638)	(12,703)	4,065	(8,638)
Available-for-sale financial assets	151	-	151	151	-	151
Revaluation of property, plant and equipment	(6,619,107)	2,118,114	(4,500,993)	(6,611,047)	2,115,535	(4,495,512)
Revaluation of strategic stock	(36,024)	-	(36,024)	(36,024)	-	(36,024)
	(6,667,683)	2,122,179	(4,545,504)	(6,659,623)	2,119,600	(4,540,023)

16. SHARE CAPITAL AND RESERVES

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
16.1 Authorised				
365 000 000 ordinary shares at N$1	**365,000**	365,000	**365,000**	365,000
16.2 Issued share capital				
165 000 000 (2016: 165 000 000) ordinary shares at N$1	**165,000**	165,000	**165,000**	165,000
16.3 Share premium				
Share premium arising on shares issued	**900,000**	900,000	**900,000**	900,000

100 000 000 Ordinary shares of N$1 each and share premium of N$9.

(2016: 100 000 000 Ordinary shares of N$1 each and share premium of N$9.)

Holders of the ordinary shares are entitled to dividends whenever dividends to ordinary shareholders are declared and are entitled to one vote per share at general meetings of the Company.

16.4 Capital revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

16.5 Strategic inventory revaluation reserve

The revaluation reserve relates to the revaluation of strategic inventory items. The revaluation is performed in line with the Group's property, plant and equipment policy.

16.6 Available for sale fair value adjustment reserve

The reserve consists of all fair value movements relating to financial instruments classified as available-for-sale. The fair value adjustment relates to 25 249 shares held in Sanlam Ltd.

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for the year ended 30 June 2017

17. INTEREST BEARING LOANS AND BORROWINGS (CONSOLIDATED AND COMPANY)

Terms and conditions of outstanding loans were as follows:

						30 June 2017		30 June 2016	
17.1	**Interest Bearing Borrowings**	Currency	Coupon Interest Rate	Effective Interest Rate	Year of Maturity	Carrying Amount N$'000	Face Value N$'000	Carrying Amount N$'000	Face Value N$'000
17.1.1	Agence Francaise de Development *	EUR	3.00%	9.39%	2019	14,891	6,464	23,267	9,050
17.1.2	European Investment Bank - loan I *	EUR	3.81%	13.89%	2018	62,856	27,311	138,813	53,880
17.1.3	African Development Bank *	ZAR	Jibar6m+.50	10.30%	2018	4,203	4,203	8,405	8,405
17.1.4	Development Bank of Southern Africa ^	ZAR	9.82%	9.82%	2022	80,000	80,000	150,000	150,000
17.1.5	European Investment Bank - loan II *	GBP	3.00%	7.62%	2021	128,174	115,948	179,852	137,134
17.1.6	NMP20N Bonds issued - Caprivi Link Interconnector[1]^	ZAR	9.35%	9.35%	2020	482,000	482,000	500,000	500,000
17.1.7	Development Bank of Namibia[1]	NAD	Prime less 4.5%	Prime less 4.5%	2024	35,519	35,519	39,443	39,443
17.1.8	NMP19N Bonds issued - Ruacana 4th unit[1]	NAD	10.00%	10.00%	2019	250,000	250,000	250,000	250,000
17.1.9	European Investment Bank - loan III[1]	ZAR	9.26%	9.26%	2029	274,812	274,812	296,797	296,797
17.1.10	Agence Francaise de Development II[1]	ZAR	6.10%	6.10%	2027	231,618	231,618	253,676	253,676
17.1.11	KFW Bankengruppe I[1]	ZAR	5.29%	5.29%	2020	146,738	146,738	195,650	195,650
17.1.12	KFW Bankengruppe II[1]	ZAR	6.98%	6.98%	2021	171,218	171,218	209,267	209,267
17.1.13	KFW Bankengruppe III[1]	ZAR	8.26%	8.26%	2027	377,200	377,200	377,200	377,200
						2,259,229	2,203,031	2,622,370	2,480,502
	Less: Instalments payable within one year transferred to current liabilities					230,109	192,425	237,939	191,683
						2,029,120	2,010,606	2,384,431	2,288,819

* The loans are guaranteed by the Government of the Republic of Namibia.
^ The loan is secured by a pledge of investments (zero coupon bonds) with a carrying value of N$51.5 million and a nominal value of N$80 million.
- The zero coupon bond is issued at 10.52% (NACS) with a maturity value of ZAR 80 million on 15 October 2021.
[1] The loans are unsecured.
[1] ^ The carrying amount of the NMP20N Bond is reduced by the reclassification from non-current investments due to the Group subscribing to its own bond at inception.

Refer to note 29.1 (classification of financial instrument classes into IAS 39 categories).

The Group's exposure to liquidity and currency risks related to interest bearing loans and borrowings is disclosed in note 29.

Defaults and breaches

There were no defaults or breaches of the loan agreements during the current and prior year.

18. DEFERRED REVENUE LIABILITIES

	CONSOLIDATED			COMPANY		
	2017 N$'000	2016 N$'000 Restated*	2015 N$'000 Restated*	**2017 N$'000**	2016 N$'000 Restated*	2015 N$'000 Restated*
Non-current liability						
Deferred revenue Government grant: generation assets	**204,167**	211,310	218,452	**204,167**	211,310	218,452
Interest rate subsidy - EIB Loan III	**22,992**	26,407	31,156	**22,992**	26,407	31,156
Transfers of assets from customers	**1,061,856**	922,093	803,760	**1,061,856**	922,093	803,760
	1,289,015	1,159,810	1,053,368	**1,680,245**	1,561,297	1,053,368

*Certain amounts shown here do not correspond to the 2016 financial statements due to an error and reflect adjustments made, refer to note 30

The comparative figures have been reclassified to include capital contributions from customers, refer to note 30.4.

	CONSOLIDATED			COMPANY		
Current liability						
Deferred revenue Government grant: generation expenditure	-	-	11,655	-	-	11,655
Short-term portion: NamZinc (Pty) Ltd	-	-	6,238	-	-	6,238
Short-term portion Interest rate subsidy - EIB Loan III	**4,082**	5,082	5,082	**4,082**	5,082	5,082
Short-term portion: generation assets	**6,857**	6,857	6,857	**6,857**	6,857	6,857
Deferred revenue: long-run marginal cost	**127,143**	127,143	127,143	**127,143**	127,143	127,143
	138,082	139,082	156,975	**138,082**	139,082	156,975

18.1 Deferred revenue - Government grants

18.1.1 Government grant - generation expenditure

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Reconciliation of deferred revenue - Government grant				
Opening balance	-	11,655	-	11,655
Recognised in profit or loss	-	(11,655)	-	(11,655)
Closing balance	-	-	-	-

In 2008, the shareholder, the Government of the Republic of Namibia committed N$360.0 million in energy subsidy over a period of three years. The full grant amount of N$360.0 million was received by August 2010 and was fully utilised by 30 June 2016. Of this grant Nil (2016: N$11.7 million) was recognised as income during the current year. The grant was classified as a current liability, due to the fact that the Company did not have an unconditional right to defer payment.

There was no unfulfilled conditions and other contingencies attached to the Government grant.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

18. DEFERRED REVENUE LIABILITIES (continued)

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
18.1.2 Government grant - generation assets				
Reconciliation of deferred revenue - Government grant				
Opening balance	**218,166**	225,309	**218,166**	225,309
Recognised in profit or loss	**(7,143)**	(7,143)	**(7,143)**	(7,143)
Closing balance	**211,023**	218,166	**211,023**	218,166

No government grant was received during the year under review. The final portion of N$10 million of the full grant amount was received during the 2013 financial year. The grant was received to subsidise the construction of Anixas Powerstation, the 22.5 megawatt (MW) emergency power plant at Walvis Bay to serve as a back-up energy supply to prevent power black outs that may be experienced during peak hours. Of this grant N$7.1 million (2016: N$7.1 million) was recognised as income during the current year while the N$211.0 million (2016: N$218.2 million) represents deferred income and will be recognised on a systematic basis over the useful life of the power plant.

18.2 Interest rate subsidy - EIB Loan III

An interest rate subsidy of N$65.9 million was received during the financial year ended 30 June 2010. EU-Africa Infrastructure Trust Fund ("ITF") approved, inter alia, the provision of an interest rate subsidy for an amount of €5 million (five million euros), equivalent to N$65.9 million to enable EIB to make available finance to NamPower at reduced interest rates. The parties have agreed that the interest rate subsidy be applied upfront in order to reduce the interest payable. Of this grant N$4.1 million (2016: N$5.1 million) was recognised as income during the current year whilst the remaining N$27.1 million (2016: N$31.1 million) represents deferred income and will be recognised over the period of the loan of 20 years.

18.3 Deferred revenue: Transfers of assets from customers

Transfers of assets from customers include upfront payments received from Transmission customers for the construction of assets. Upfront capital contributions are recognised in profit or loss when all performance obligations have been performed by the Group e.g. when the upgrade or the construction of the assets are completed.

18.4 Deferred revenue: long-run marginal cost

The Long-run marginal cost of 1.46 cents/kWh amounting to Nill (2016: Nill) was received during the year under review. No Long-run marginal cost levy was approved by the Electricity Control Board (ECB) for the current financial year. The Long-run marginal cost was introduced by the Electricity Control Board (ECB) and should be ring-fenced within the Company and reserved as deferred revenue which may only be utilised with the approval of the Electricity Control Board (ECB).

19. DEFERRED TAX LIABILITIES

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Balance at the beginning of the year	**6,232,317**	4,445,476	**6,225,449**	4,442,318
Current charge recognised in profit or loss	**(12,279)**	(229,218)	**(12,176)**	(233,568)
Current year	**(12,279)**	(229,218)	**(12,176)**	(233,568)
Tax rate change recognised in profit or loss	-	(28,496)	-	(31,715)
Prior year adjustment	**(1,839)**	-	**(1,839)**	-
Temporary differences	**(91,217)**	(119,946)	**(91,114)**	(121,077)
Calculated tax loss	**80,776**	(80,776)	**80,776**	(80,776)
Tax rate change on previous revaluation recognised in other comprehensive income	-	(106,120)	-	(102,901)
Current charge recognised in other comprehensive income	**(1,924)**	2,122,179	**(1,924)**	2,119,600
Balance at end of year	**6,218,114**	6,232,317	**6,211,349**	6,225,449
The balance comprises:				
Calculated tax loss	-	(80,776)	-	(80,776)
Property, plant and equipment	**6,317,843**	6,373,528	**6,311,078**	6,366,660
Intangible assets	**8,242**	1,104	**8,242**	1,104
Investment properties	**4,172**	2,811	**4,172**	2,811
Prepayments	**1,099**	7,634	**1,099**	7,634
Inventories	**71,543**	70,890	**71,543**	70,890
Interest accrued	**24,868**	43,016	**24,868**	43,016
Severance pay liability	**(15,249)**	(16,015)	**(15,249)**	(16,015)
Fair value swaps, loans and unrealised foreign exchange losses	**(46,948)**	12,208	**(46,948)**	12,208
Strategic inventory	**9,735**	18,937	**9,735**	18,937
Post retirement medical benefit	**(90,527)**	(73,229)	**(90,527)**	(73,229)
Power purchase and power sales agreement- embedded derivative	**(40,967)**	(105,658)	**(40,967)**	(105,658)
Provisions and advance payments	**(25,697)**	(22,133)	**(25,697)**	(22,133)
	6,218,114	6,232,317	**6,211,349**	6,225,449
Deferred tax asset	**(219,388)**	(204,827)	**(219,388)**	(217,035)
Calculated tax loss	-	(80,776)	-	(80,776)
Deferred tax liability	**6,437,502**	6,517,920	**6,430,737**	6,523,260
	6,218,114	6,232,317	**6,211,349**	6,225,449

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

20. TRADE AND OTHER PAYABLES

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Trade payables	**699,968**	646,881 [a]	**699,963**	646,880 [a]
Leave and bonus accruals	**72,235**	66,049	**72,235**	66,049
Swap and loan interest payable	**86,281**	68,864	**86,281**	68,864
Retention creditors	**9,132**	7,884	**9,132**	7,884
	867,616	789,678	**867,611**	789,677

[a] The comparative figures have been restated to exclude the Projects in progress.

The Group's exposure to liquidity and currency risks related to trade and other payables are disclosed in note 29.

The carrying amount of trade and other payables approximates its fair value.

20.1 Leave and bonus accruals

The Group accrues for leave pay and bonuses for all employees. The value of the accrual at 30 June 2017 was determined by reference to the leave days accrued and proportionate annual bonus accrual. The bonus accrual is expected to be utilised within the following financial year.

20.2 Related party payables

Trade and other payables due to related parties have been disclosed in note 27.

20.3 Retention creditors

	Consolidated 2017	Consolidated 2016	Company 2017	Company 2016
Non-Current	**29,432**	18,692	**29,432**	18,692
Current (included in trade payables)	**9,132**	7,884	**9,132**	7,884
	38,564	26,576	**38,564**	26,576

This represents retentions held by the Company in respect of defect clauses in contracts with suppliers.

21. DERIVATIVES

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
21.1 Derivative assets				
Forward exchange contract assets	**-**	-	**-**	-
Interest rate and cross currency swaps	**55,679**	142,723	**55,679**	142,723
Valuation firm commitments	**2,716**	2,716	**2,716**	2,716
Embedded derivatives - Power Purchase/Sale Agreements (PPA/PSA)	**319**	57,796	**319**	57,796
	58,715	203,235	**58,715**	203,235
21.2 Derivative liabilities				
Forward exchange contract liabilities	**2,920**	13,713	**2,920**	13,713
Embedded derivatives - Power Purchase/Sale Agreements (PPA/PSA)	**128,341**	381,021	**128,341**	381,021
	131,261	394,734	**131,261**	394,734

The Company hedges its risk to interest rate and currency risks in terms of the foreign loans by entering into interest rate and cross currency swaps. Changes in the fair value of the swaps that are designated and qualify as fair value hedges are recorded in the profit or loss component of the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The swap agreements have been entered into with Standard Bank Limited. The cross currency swaps are denominated in NAD, EUR and GBP.

The swap agreements have termination days ranging from 20 June 2018 to 15 September 2022. Refer to note 17 for the hedged loan repayment dates.

The electricity purchase and selling price in terms of the PPA and PSA with ZETCO and Namzinc (Pty) Ltd is linked to the movements of the US Dollar currency and the US Producer Price Index. The variables above give rise to foreign currency and inflation-linked embedded derivatives.

The electricity purchase price in terms of the PPA with Aggreko, an Independent Power Producer (IPP) in Mozambique, is linked to the movement of the US Dollar currency and the gas fuel charge which is linked to the US Producer Price Index (PPI). The US PPI gives rise to an inflation-linked embedded derivative in respect of this agreement.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

22. EMPLOYEE BENEFITS

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Post retirement medical benefits	**276,884**	241,543	**276,884**	241,543
Severance pay liability	**47,652**	50,047	**47,652**	50,047
	324,536	291,590	**324,536**	291,590

22.1 Post-retirement medical benefits

22.1.1 Actuarial assumptions

The Group makes contributions to two defined benefit plans that provide medical benefits for current employees. The Group makes contributions to three defined benefit plans that provide medical benefits for pensioners. The benefit plans are provided by Namibia Medical Care (NMC), which is administered by Methealth Namibia Administrators.

The present value of the provision at 30 June 2017, as determined by an actuarial valuation, was N$276.9 million (2016: N$241.5 million). This actuarial valuation was performed by Jacques Malan Consultants and Actuaries. The liability is expected to be settled over 20 years.

The Group expects to pay N$103.7 million (2016: N$96.9 million) in contributions to the defined benefit plans in 2018.

Liability for defined benefit obligations

The following were the principal actuarial assumptions at the reporting date:

	CONSOLIDATED 2017	CONSOLIDATED 2016	COMPANY 2017	COMPANY 2016
Discount rate at 30 June (%)	**10.46**	9.43	**10.46**	9.43
Medical cost trend rate (%)	**9.37**	8.82	**9.37**	8.82

Assumptions regarding future mortality have been based on published statistics and mortality tables. Mortality for pre-retirement has been based on the SA 85-90 mortality table and the PA (90) ultimate mortality table was used for post-retirement benefits.

The current longevities underlying the values of the defined medical benefit liability at the reporting date were as follows:

Longevity (years) at age 65	CONSOLIDATED 2017	CONSOLIDATED 2016	COMPANY 2017	COMPANY 2016
Males	**14.6**	14.6	**14.6**	14.6
Females	**18.4**	18.4	**18.4**	18.4

Should the medical cost trend increase or decrease by 1% the defined medical benefit liability would be as follows:

	CONSOLIDATED 2017	CONSOLIDATED 2016	COMPANY 2017	COMPANY 2016
1% increase in medical cost trend	**279,653**	243,958	**279,653**	243,958
1% decrease in medical cost trend	**(274,115)**	(239,128)	**(274,115)**	(239,128)

22. EMPLOYEE BENEFITS (continued)

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
22.1.2 Movements in the net liability for defined benefit obligations recognised in the statements of financial position				
Net liability for defined obligations as at 1 July	**241,543**	229,245	**241,543**	229,245
Interest cost	**22,913**	21,811	**22,913**	21,811
Current service costs	**7,115**	7,059	**7,115**	7,059
Benefits paid	**(4,203)**	(3,864)	**(4,203)**	(3,864)
Actuarial loss/(gain) on obligation:				
- Financial assumptions	**(23,225)**	(2,830)	**(23,225)**	(2,830)
- Other sources	**32,741**	(9,878)	**32,741**	(9,878)
Net liability for defined obligations as at 30 June	**276,884**	241,543	**276,884**	241,543

Should the current service and interest rate cost trend increase or decrease by 1% the effect would be as follows:

1% increase in current service + interest rate cost trend	**30,328**	29,159	**30,328**	29,159
1% decrease in current service + interest rate cost trend	**(29,728)**	(28,581)	**(29,728)**	(28,581)

22.1.3 Expense recognised in profit or loss

Current service costs	**7,115**	7,059	**7,115**	7,059
Interest cost	**22,913**	21,811	**22,913**	21,811
	30,028	28,870	**30,028**	28,870

The expense is included in the administrative expenses in profit or loss.

22.1.4 Expense recognised in other comprehensive income

Remeasurements of post-retirement medical benefits (actuarial loss)	**9,516**	(12,708)	**9,516**	(12,708)
	9,516	(12,708)	**9,516**	(12,708)

22.2 Severance pay liability

Present value of net obligations	**47,652**	50,047	**47,652**	50,047
Present value of unfunded obligations	**47,652**	50,047	**47,652**	50,047
Recognised liability for defined benefit obligations	**47,652**	50,047	**47,652**	50,047

Severance pay liability is recognised for employees retiring on reaching the age of 65 years.

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22. EMPLOYEE BENEFITS (continued)

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
22.2.1 Liability for severance pay obligations				
The following were the principal actuarial assumptions at the reporting date:				
Discount rate at 30 June (%)	**8.67**	9.20	**8.67**	9.20
Salary inflation rate at 30 June (%)	**7.05**	8.36	**7.05**	8.36
Investment return at 30 June	**8.67**	9.20	**8.67**	9.20
Should the salary inflation rate increase or decrease by 1% the severance pay liability would be as follows:				
1% increase in salary inflation rate	**48,129**	50,547	**48,129**	50,547
1% decrease in salary inflation rate	**(47,175)**	(49,547)	**(47,175)**	(49,547)
22.2.2 Movements in the net liability for defined benefit obligations recognised in the Group and Company statements of financial position				
Net liability for defined obligations as at 1 July	**50,047**	45,714	**50,047**	45,714
Interest cost	**4,604**	3,886	**4,604**	3,886
Current service costs	**1,647**	1,553	**1,647**	1,553
Benefits paid	**(5,143)**	(1,111)	**(5,143)**	(1,111)
Actuarial loss/(gain) on obligation:				
- Financial assumptions	**(2,615)**	(186)	**(2,615)**	(186)
- Other sources	**(888)**	191	**(888)**	191
Net liability for defined obligations as at 30 June	**47,652**	50,047	**47,652**	50,047
Should the current service and interest rate cost trend increase or decrease by 1% the effect would be as follows:				
1% increase in current service + interest rate cost trend	**6,314**	5,493	**6,314**	5,493
1% decrease in current service + interest rate cost trend	**(6,188)**	(5,385)	**(6,188)**	(5,385)
22.2.3 Expense recognised in the Group and Company statements of comprehensive income				
Current service costs	**1,647**	1,553	**1,647**	1,553
Interest on obligation	**4,604**	3,886	**4,604**	3,886
	6,251	5,439	**6,251**	5,439
The expense is included in the administrative expenses in profit or loss.				
22.2.4 Expense recognised in other comprehensive income				
Actuarial gain/(loss) on obligation	**(3,503)**	5	**(3,503)**	5
	(3,503)	5	**(3,503)**	5

23. CAPITAL COMMITMENTS

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Projects for capital expenditure				
Approved by Board of Directors	**8,658,982**	8,355,112	**8,658,982**	8,355,112
Less: Expenditure to 30 June	**(2,230,765)**	(2,428,029)	**(2,230,765)**	(2,428,029)
Amount still to be expended	**6,428,217**	5,927,083	**6,428,217**	5,927,083
Amounts contracted at year end	**4,927**	2,037	**4,927**	2,037
	4,927	2,037	**4,927**	2,037

The capital expenditure will be financed by internally generated funds and non-refundable capital contributions by customers, the Government of the Republic of Namibia and providers of debt.

24. NET FINANCING INCOME

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Recognised in profit or loss				
Interest income on:	**673,440**	541,971	**673,440**	541,971
- Financial assets at amortised cost	**585,264**	450,219	**585,264**	450,219
- Financial assets at fair value through profit or loss	**88,176**	91,752	**88,176**	91,752
Interest costs on:	**(215,093)**	(233,213)	**(215,093)**	(233,213)
- Financial liabilities designated at fair value through profit or loss	**(123,928)**	(132,734)	**(123,928)**	(132,734)
- Financial liabilities held for trading	**(17,904)**	(23,833)	**(17,904)**	(23,833)
- Financial liabilities at amortised cost	**(73,261)**	(76,646)	**(73,261)**	(76,646)
	458,347	308,758	**458,347**	308,758

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

25. REVENUE

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Revenue comprises:				
- Sales of electricity	**5,703,408**	4,894,210	**5,703,408**	4,894,210
- Extension charges	**68,069**	62,156	**68,069**	62,156
- STEM sales	**34,699**	9,984	**34,699**	9,984
- Transfers of assets from customers - Assets donated by customers	**-**	-	**-**	-
- Transfers of assets from customers - Capital contributions by customers	**(326)**	39,642	**(326)**	39,642
	5,805,849	5,005,992	**5,805,849**	5,005,992

Sales of electricity relates to income derived from maximum demand charges paid by large power users, units sold at cents/kWh and income derived from the monthly basic charge payable by all power users.

Extension charges relates to income derived from monthly rental as per contract of each power user.

STEM sales: Electricity sales on the short term energy market to other South African Power Pool (SAPP) utilities.

Contributions made by customers towards the costs to be incurred to make a power supply available to the customer.

25.1 Other income comprises of:

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000 Restated	**2017 N$'000**	2016 N$'000 Restated
- Government grant	**57,143**	58,798	**57,143**	58,798
- Grant funding: other	**621**	399	**621**	399
- Sundry income	**35,021**	17,614	**40,871**	17,797
	92,785	76,812	**98,635**	76,994

Sundry income include rent received, discount received, scrap sales and the sale of tender documents.

*Certain amounts shown here do not correspond to the 2016 financial statements due to an error and reflect adjustments made, refer note 30.

26. PROFIT/(LOSS) BEFORE TAXATION

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Profit/(Loss) before taxation is stated after charging/(crediting):				
Directors' emoluments paid by Company				
fees for services as directors	**5,132**	5,091	**5,132**	5,091
- paid to non-executive directors	**1,659**	1,824	**1,659**	1,824
- paid to executive directors	**3,473**	3,239	**3,473**	3,239
- other services	**-**	28	**-**	28
Auditors' remuneration				
- audit fee	**3,089**	1,698	**3,089**	1,698
Depreciation of property, plant and equipment	**789,353**	735,063	**789,178**	734,891
Amortisation of intangible asset	**1,893**	1,519	**1,893**	1,519
Remuneration other than to employees for	**15,757**	7,753	**15,757**	7,753
- managerial services	**9,260**	4,698	**9,260**	4,698
- technical services	**2,854**	1,968	**2,854**	1,968
- other professional services	**3,643**	1,087	**3,643**	1,087
Research and development expenditure	**11,352**	20,698	**11,352**	20,698
Movement in allowance for impairment losses	**4,200**	235,250	**4,200**	235,250
Bad debts recovered	**(25)**	(25)	**(25)**	(25)
Contribution to Social Responsibility Programs	**9,377**	8,460	**9,377**	8,460
Gain on disposal of property, plant and equipment	**(177)**	(446)	**(177)**	(446)
Staff costs	**669,553**	608,332	**669,553**	608,332
Salaries and wages	**615,691**	564,117	**615,691**	564,117
Company contribution: Provident Fund	**53,892**	44,343	**53,892**	44,343
Others	**(30)**	(128)	**(30)**	(128)
Severance Pay	**1,108**	4,328	**1,108**	4,328
- Liability	**6,251**	5,439	**6,251**	5,439
- Benefits paid	**(5,143)**	(1,111)	**(5,143)**	(1,111)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

26. PROFIT/(LOSS) BEFORE TAXATION (continued)

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Post retirement medical benefit	**30,028**	28,870	**30,028**	28,870
Foreign exchange losses/(gains) on foreign exchange contracts				
- realised	**70,362**	11,310	**70,362**	11,310
- unrealised	**(8,623)**	13,661	**(8,623)**	13,661
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	**(188,231)**	(461,896)	**(188,231)**	(461,896)
- realised	**(64,347)**	(112,448)	**(64,347)**	(112,448)
- unrealised	**(123,884)**	(349,448)	**(123,884)**	(349,448)
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	**142,458**	317,863	**142,458**	317,863
- realised	**71,188**	141,194	**71,188**	141,194
- unrealised	**71,270**	176,669	**71,270**	176,669
IAS 39 Fair value adjustments	**(193,831)**	99,980	**(193,831)**	99,980
- derivative contracts	**87,043**	(1,631)	**87,043**	(1,631)
- foreign denominated loans	**(85,670)**	(3,278)	**(85,670)**	(3,278)
- Unrealised (gain)/loss on embedded derivative Power Purchase Agreement (PPA) and Power Sales Agreement (PSA)	**(195,204)**	104,889	**(195,204)**	104,889
Government grants recognised in profit or loss	**(57,143)**	(58,798)	**(57,143)**	(58,798)
Income generating Investment Property				
- rental income	**(4,292)**	(4,507)	**(4,292)**	(4,507)
- direct operating expenses	**500**	462	**500**	462
Non-income generating Investment Property				
- direct operating expenses	**62**	66	**62**	66
Fair value adjustment on investment properties	**(1,262)**	(3,407)	**(1,262)**	(3,407)

27. RELATED PARTIES

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Identity of related parties				

The Company has related party relationships with its subsidiaries (see note 7.1), associates (see note 7.2) and key management personnel. Key management personnel comprise Directors and executive management.

The Government of the Republic of Namibia is the sole shareholder.

The Directors are listed in the Directors' Report on page 95.

Transactions with key management personnel

The key management personnel compensations are as follows:

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Short-term employee benefits	**17,337**	14,337	**17,337**	14,337
Post-retirement employment benefits	**1,890**	1,401	**1,890**	1,401
Other long-term employment benefits	**181**	141	**181**	141
	19,408	15,879	**19,408**	15,879

Total remuneration is included in 'staff costs' (see note 26)

Directors' emoluments are disclosed in note 26.

During the year the Company, in the ordinary course of business, entered into various sale and purchase transactions with its Shareholder, associates, fellow government-owned entities and subsidiaries.

Shareholder

Transactions with the Shareholder (The Government of the Republic of Namibia) refer note 18.1.

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Investments				
Erongo RED (Pty) Ltd				
- dividend received	**-**	983	**-**	983
Associates				
CENORED (Pty) Ltd	**171,079**	130,943	**379,754**	290,662
- Electricity sales	**170,885**	130,787	**379,324**	290,315
- Service level agreement and technical support	**194**	156	**430**	347
NORED Electricity (Pty) Ltd	**198,969**	171,845	**596,967**	515,589
- Electricity sales	**198,888**	171,525	**596,724**	514,628
- Rental income	**37**	33	**110**	100
- Service level agreement and technical support	**44**	287	**133**	861
Municipal services from related parties	**6,856**	2,815	**17,358**	6,958
- NORED Electricity (Pty) Ltd	**2,740**	909	**8,222**	2,726
- CENORED (Pty) Ltd	**4,116**	1,906	**9,136**	4,232
Guarantees received	**4,778**	4,784	**12,159**	12,229
- NORED Electricity (Pty) Ltd	**1,990**	2,063	**5,970**	6,189
- CENORED (Pty) Ltd	**2,788**	2,721	**6,189**	6,040

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for the year ended 30 June 2017

27. RELATED PARTIES (continued)

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Fellow government-owned entities				
The individually significant sales transactions with fellow government-owned entities are listed below:				
Electricity Sales	**327,850**	306,938	**327,850**	306,938
- Namibia Water Corporation	**126,776**	117,653	**126,776**	117,653
- Namibian Broadcasting Corporation (Pty) Ltd	**2,149**	1,970	**2,149**	1,970
- Namdeb Diamond Corporation (Pty) Ltd	**180,718**	169,794	**180,718**	169,794
- Namibia Airports Company Ltd	**9,766**	8,402	**9,766**	8,402
- Namibia Post & Telecom Holdings	**7,209**	6,766	**7,209**	6,766
- TransNamib (Pty) Ltd	**826**	1,920	**826**	1,920
- Roads Authority	**406**	433	**406**	433
Subsidiary				
Okaomba (Pty) Ltd	**-**	-	**220**	117
- Rent paid	**-**	-	**220**	117
Fellow government owned entities				
Other individually significant transactions with fellow government-owned entities are listed below:				
Telecommunication, transport services and related services	**15,022**	31,049	**15,022**	31,049
- Namibia Post & Telecom Holdings	**3,500**	2,639	**3,500**	2,639
- National Training Fund	**6,197**	5,540	**6,197**	5,540
- Namibia Water Corporation (Pty) Ltd	**53**	59	**53**	59
- Namibia Airports Company	**85**	122	**85**	122
- Road Fund Administrators	**2,227**	1,522	**2,227**	1,522
- Namcor Petroleum Trading & Distribution	**1,256**	19,384	**1,256**	19,384
- Social Security Commission	**1,704**	1,783	**1,704**	1,783
Related party balances				
Due from/(due to)				
Associate	**42,603**	35,273	**110,121**	94,113
- CENORED (Pty) Ltd	**22,690**	15,021	**50,366**	33,342
- CENORED (Pty) Ltd	**(13)**	(11)	**(29)**	(24)
- NORED Electricity (Pty) Ltd	**19,957**	20,378	**59,878**	61,140
- NORED Electricity (Pty) Ltd	**(31)**	(115)	**(94)**	(345)

27. RELATED PARTIES (continued)

	CONSOLIDATED		COMPANY	
	2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Related party balances				
Due from/(due to)				
Fellow government-owned entities	**37,191**	34,954	**37,191**	34,954
- Namibia Post & Telecom Holdings	**415**	598	**415**	598
- National Training Fund	**(473)**	(435)	**(473)**	(435)
- TransNamib (Pty) Ltd	**242**	446	**242**	446
- Namdeb Diamond Corporation (Pty) Ltd	**20,502**	18,999	**20,502**	18,999
- Namibia Water Corporation (Pty) Ltd	**14,112**	14,286	**14,112**	14,286
- Namibia Airports Company (Pty) Ltd	**1,564**	643	**1,564**	643
- Namibian Broadcasting Corporation (Pty) Ltd	**706**	323	**706**	323
- Roads Authority	**123**	94	**123**	94
Guarantees received	**17,262**	17,199	**17,262**	17,199
- Namibia Post & Telecom Holdings	**422**	415	**422**	415
- TransNamib (Pty) Ltd	**8**	8	**8**	8
- Namdeb Diamond Corporation (Pty) Ltd	**16,446**	16,446	**16,446**	16,446
- Namibia Water Corporation (Pty) Ltd	**305**	249	**305**	249
- Namibia Airports Company (Pty) Ltd	**2**	2	**2**	2
- Namibian Broadcasting Corporation (Pty) Ltd	**68**	68	**68**	68
- Roads Authority	**11**	11	**11**	11

The Company does not have any significant commitments with its related parties.

During the year under review there were no write offs against the bad debt provision for the related parties.

Goods and services are bought from and sold to related parties on an arm's length basis at market-related prices.

28. EMPLOYEE INFORMATION

Retirement benefits

The policy of the Company is to provide retirement benefits for its employees.

The NamPower Provident Fund is a defined contribution fund governed by the Pension Fund Act, and is for all its employees except for those who do not qualify in terms of the rules of the Fund. Of the employees, 98% are members of the Fund. Contributions to the Fund are based on a percentage of salaries and are expensed in the period in which they are paid. The Company's contribution to the Fund amounted to N$53.8 million (2016: N$44.3 million).

The Company's contribution paid to the Fund for the key management amounted to N$1.9 million (2016: N$1.4 million).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

29. FINANCIAL INSTRUMENTS

29.1 Classification of the statement of financial position classes into IAS 39 categories

The fair values of the financial assets and liabilities, together with the carrying amounts in thousands of Namibian Dollar, shown in the statement of financial position are as follows:

CONSOLIDATED

2017		CARRYING AMOUNT			
	Reference Notes	Loans and Receivables	Held-for-Trading	Held-to-Maturity	Available-for-Sale
Financial assets measured at fair value					
Listed equity	11	-	-	-	1,636
Collective investment schemes	11	-	-	-	-
Derivative financial assets	21.1	-	58,715	-	-
		-	58,715	-	1,636
Financial assets not measured at fair value					
Loans and receivables	10	14,168	-	-	-
Non-current investments	11	-	-	1,238,296	23,076
Fixed deposits at amortised cost	11	3,295,000	-	-	-
Cash and cash equivalents	14	1,868,999	-	-	-
Trade and other receivables^	13	1,294,097	-	-	-
		6,472,264	-	1,238,296	23,076
Financial liabilities measured at fair value					
Interest bearing loans and borrowings	17	-	-	-	-
Derivative financial liabilities	21.2	-	(131,261)	-	-
		-	(131,261)	-	-
Financial liabilities not measured at fair value					
Interest bearing loans and borrowings	17	-	-	-	-
Trade and other payables*	20	-	-	-	-
Non-current retention creditors	20.3	-	-	-	-
		-	-	-	-

* Accrued expenses of N$72.2 million (2016: N$66.0 million) that are not financial liabilities are not included.

^ Project and other advances and prepayments of N$28.5 million (2016: N$37.5 million) that are not financial assets are not included.

There have been no transfers between the fair value hierarchy levels (2016: no transfers).

The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

			FAIR VALUE			
Designated/Fair value through Profit or Loss	Other Financial Liabilities at Amortised Cost	Total	Level 1	Level 2	Level 3	Total
-	-	1,636	1,636	-	-	1,636
1,107,683	-	1,107,683	-	1,107,683	-	1,107,683
-	-	58,715	-	55,679	3,036	58,715
1,107,683	-	1,168,034	1,636	1,163,362	3,036	1,168,034
-	-	14,168	-	-	-	-
-	-	1,261,372	-	-	-	-
-	-	3,295,000	-	-	-	-
-	-	1,868,999	-	-	-	-
-	-	1,294,097	-	-	-	-
-	-	7,733,636	-	-	-	-
(117,155)	-	(117,155)	-	(117,155)	-	(117,155)
-	-	(131,261)	-	-	(131,261)	(131,261)
(117,155)	-	(248,416)	-	(117,155)	(131,261)	(248,416)
-	(2,142,074)	(2,142,074)	-	-	-	-
-	(795,381)	(795,381)	-	-	-	-
-	(29,432)	(29,432)	-	-	-	-
-	(2,966,887)	(2,966,887)	-	-	-	-

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

29. FINANCIAL INSTRUMENTS (continued)

29.1 Classification of the statement of financial position classes into IAS 39 categories

The fair values of the financial assets and liabilities, together with the carrying amounts in thousands of Namibian Dollar, shown in the statement of financial position are as follows:

CONSOLIDATED

2016		CARRYING AMOUNT			
	Reference Notes	Loans and Receivables	Held-for-Trading	Held-to-Maturity	Available-for-Sale
Financial assets measured at fair value					
Listed equity	11	-	-	-	1,524
Collective investment schemes	11	-	-	-	-
Derivative financial assets	21.1	-	203,235	-	-
		-	203,235	-	1,524
Financial assets not measured at fair value					
Loans and receivables	10	23,658	-	-	-
Non-current investments	11	-	-	954,713	23,076
Fixed deposits at amortised cost	11	3,185,000	-	-	-
Cash and cash equivalents	14	1,707,589	-	-	-
Trade and other receivables^	13	1,075,560	-	-	-
		5,991,807	-	954,713	23,076
Financial liabilities measured at fair value					
Interest bearing loans and borrowings	17	-	-	-	-
Derivative financial liabilities	21.2	-	(394,734)	-	-
		-	(394,734)	-	-
Financial liabilities not measured at fair value					
Interest bearing loans and borrowings	17	-	-	-	-
Trade and other payables*	20	-	-	-	-
Non-current retention creditors	20.3	-	-	-	-
		-	-	-	-

* Accrued expenses of N$66.0 million (2015: N$61.6 million) that are not financial liabilities are not included.
^ Project and other advances and prepayments of N$37.5 million (2015: N$34.3 million) that are not financial assets are not included.

There have been no transfers between the fair value hierarchy levels (2015: no transfers).

The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

			FAIR VALUE			
Designated/Fair value through Profit or Loss	Other Financial Liabilities at Amortised Cost	Total	Level 1	Level 2	Level 3	Total
-	-	1,524	1,524	-	-	1,524
952,950	-	952,950	-	952,950	-	952,950
-	-	203,235	-	142,723	60,512	203,235
952,950	-	1,157,709	1,524	1,095,673	60,512	1,157,709
-	-	23,658	-	-	-	-
-	-	977,789	-	-	-	-
-	-	3,185,000	-	-	-	-
-	-	1,707,589	-	-	-	-
-	-	1,075,560	-	-	-	-
-	-	6,969,596	-	-	-	-
(245,335)	-	(245,335)	-	(245,335)	-	(245,335)
-	-	(394,734)	-	-	(394,734)	(394,734)
(245,335)	-	(640,069)	-	(245,335)	(394,734)	(640,069)
-	(2,377,035)	(2,377,035)	-	-	-	-
-	(723,629)	(723,629)	-	-	-	-
-	(18,692)	(18,692)	-	-	-	-
-	(3,119,356)	(3,119,356)	-	-	-	-

The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

29. FINANCIAL INSTRUMENTS (continued)

29.1 Classification of the statement of financial position classes into IAS 39 categories

The fair values of the financial assets and liabilities, together with the carrying amounts in thousands of Namibian Dollar, shown in the statement of financial position are as follows:

COMPANY

2017		CARRYING AMOUNT			
	Reference Notes	Loans and Receivables	Held-for-Trading	Held-to-Maturity	Available-for-Sale
Financial assets measured at fair value					
Listed equity	11	-	-	-	1,636
Collective investment schemes	11	-	-	-	-
Derivative financial assets	21.1	-	58,715	-	-
		-	58,715	-	1,636
Financial assets not measured at fair value					
Loans and receivables	10	14,168	-	-	-
Non-current investments	11	-	-	1,238,296	23,076
Fixed deposits at amortised cost	11	3,295,000	-	-	-
Cash and cash equivalents	14	1,868,999	-	-	-
Trade and other receivables^	13	1,294,097	-	-	-
Interest in subsidiaries	7.1	3,300	-	-	5,944
		6,475,563	-	1,238,296	29,020
Financial liabilities measured at fair value					
Interest bearing loans and borrowings	17	-	-	-	-
Derivative financial liabilities	21.2	-	(131,261)	-	-
		-	(131,261)	-	-
Financial liabilities not measured at fair value					
Interest bearing loans and borrowings	17	-	-	-	-
Trade and other payables*	20	-	-	-	-
Loans due to subsidiaries[1]	7.1	-	-	-	-
Non-current retention creditors	20.3	-	-	-	-
		-	-	-	-

* Accrued expenses of N$72.2 million (2016: N$66.0 million) that are not financial liabilities are not included.
^ Project and other advances and prepayments of N$28.5 million (2016: N$37.5 million) that are not financial assets are not included.
[1] The loans due to subsidiaries are not applicable to the Group.

There have been no transfers between the fair value hierarchy levels (2016: no transfers).

The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

Designated/Fair value through Profit or Loss	Other Financial Liabilities at Amortised Cost	Total	FAIR VALUE Level 1	Level 2	Level 3	Total
-	-	1,636	1,636	-	-	1,636
1,107,683	-	1,107,683	-	1,107,683	-	1,107,683
-	-	58,715	-	55,679	3,036	58,715
1,107,683	-	1,168,034	1,636	1,163,362	3,036	1,168,034
-	-	14,168	-	-	-	-
-	-	1,279,372	-	-	-	-
-	-	3,295,000	-	-	-	-
-	-	1,868,999	-	-	-	-
-	-	1,294,097	-	-	-	-
-	-	9,244	-	-	-	-
-	-	7,760,880	-	-	-	-
(117,155)	-	(117,155)	-	(117,155)	-	(117,155)
-	-	(131,261)	-	-	(131,261)	(131,261)
(117,155)	-	(248,416)	-	(117,155)	(131,261)	(248,416)
-	(2,142,074)	(2,142,074)	-	-	-	-
-	(795,376)	(795,376)	-	-	-	-
-	(6,388)	(6,388)	-	-	-	-
-	(29,432)	(29,432)	-	-	-	-
-	(2,973,270)	(2,973,270)	-	-	-	-

The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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29. FINANCIAL INSTRUMENTS (continued)

29.1 Classification of the statement of financial position classes into IAS 39 categories

The fair values of the financial assets and liabilities, together with the carrying amounts in thousands of Namibian Dollar, shown in the statement of financial position are as follows:

COMPANY

2016		CARRYING AMOUNT			
	Reference Notes	Loans and Receivables	Held-for-Trading	Held-to-Maturity	Available-for-Sale
Financial assets measured at fair value					
Listed equity	11	-	-	-	1,524
Collective investment schemes	11	-	-	-	-
Derivative financial assets	21.1	-	203,235	-	-
		-	203,235	-	1,524
Financial assets not measured at fair value					
Loans receivable	10	23,658	-	-	-
Non-current investments	11	-	-	954,713	23,076
Fixed deposits at amortised cost	11	3,185,000	-	-	-
Cash and cash equivalents	14	1,707,589	-	-	-
Trade and other receivables^	13	1,075,560	-	-	-
Interest in subsidiaries	7.1	3,300	-	-	5,944
		5,995,106	-	954,713	29,020
Financial liabilities measured at fair value					
Interest bearing loans and borrowings	17	-	-	-	-
Derivative financial liabilities	21.2	-	(394,734)	-	-
		-	(394,734)	-	-
Financial liabilities not measured at fair value					
Interest bearing loans and borrowings	17	-	-	-	-
Trade and other payables*	20	-	-	-	-
Loans due to subsidiaries[1]	7.1	-	-	-	-
Non-current retention creditors	20.3	-	-	-	-
		-	-	-	-

* Accrued expenses of N$66.0 million (2015: N$61.6 million) that are not financial liabilities are not included.
^ Project and other advances and prepayments of N$37.5 million (2015: N$34.3 million) that are not financial assets are not included.
[1] The loans due to subsidiaries are not applicable to the Group.

There have been no transfers between the fair value hierarchy levels (2015: no transfers).

The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

				FAIR VALUE			
	Designated/Fair value through Profit or Loss	Other Financial Liabilities at Amortised Cost	Total	Level 1	Level 2	Level 3	Total
	-	-	1,524	1,524	-	-	1,524
	952,950	-	952,950	-	952,950	-	952,950
	-	-	203,235	-	142,723	60,512	203,235
	952,950	-	1,157,709	1,524	1,095,673	60,512	1,157,709
	-	-	23,658	-	-	-	-
	-	-	977,789	-	-	-	-
	-	-	3,185,000	-	-	-	-
	-	-	1,707,589	-	-	-	-
	-	-	1,075,560	-	-	-	-
	-	-	9,244	-	-	-	-
	-	-	6,978,840	-	-	-	-
	(245,335)	-	(245,335)	-	(245,335)	-	(245,335)
	-	-	(394,734)	-	-	(394,734)	(394,734)
	(245,335)	-	(640,069)	-	(245,335)	(394,734)	(640,069)
	-	(2,377,035)	(2,377,035)	-	-	-	-
	-	(723,628)	(723,628)	-	-	-	-
	-	(6,384)	(6,384)	-	-	-	-
	-	(18,692)	(18,692)	-	-	-	-
	-	(3,125,739)	(3,125,739)	-	-	-	-

The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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29. FINANCIAL INSTRUMENTS (continued)

29.1 Classification of the statement of financial position classes into IAS 39 categories (continued)

	CONSOLIDATED AND COMPANY	
A reconciliation has been performed for fair value measurements in level 3 of the fair value hierarchy as follows:	**2017 N$'000**	2016 N$'000
Embedded derivative liabilities		
Carrying value at beginning of the year	**(394,734)**	(269,221)
Net fair value loss on embedded derivatives and forward exchange contracts recognised in profit or loss	**263,473**	(125,513)
Carrying value at end of the year	**(131,261)**	(394,734)
Embedded derivative assets [1]		
Carrying value at beginning of the year	**60,512**	52,936
Net fair value gain/(loss) on embedded derivatives recognised in profit or loss	**(57,476)**	7,576
Carrying value at end of the year	**3,036**	60,512

Refer to note 29.6.3 for a sensitivity analysis disclosing the effect of fair value changes that would result if one or more of the inputs were to change.

[1] Embedded deivative assets of N$55.7 million (2016: N$142.7 million) were measured at fair value based on Level 2 inputs to the valuation techniques. (Refer to note 29.1)

The following table gives information about how the fair values of the financial assets and financial liabilities categorised into Level 2 and Level 3 of the fair value hierarchy were determined:

Financial Assets/Financial Liabilities	Fair Value Hierarchy	Valuation Technique(s) and Key Input(s)	Relationship of Unobservable Inputs to Fair Value
Collective investment schemes	Level 2	The valuation model is based on the Net Asset Values (NAV) of the individual funds as quoted in the active markets. i.e. quoted prices.	Not applicable
Derivative financial assets and Derivative financial liabilities	Level 2 & Level 3	Discounted cash flow: The valuation model considers the present value of expected future cash flows discounted using a risk adjusted discount rate for both ZAR and USD. The expected cash flows is determined by considering the possible scenario of forecast revenue. i.e. interest rates, inflation rates and exchange rates.	The estimated fair value of the purchase agreements will increase/(decrease) with an indirect correlation of the above-mentioned sensitivities, while there is a direct correlation in the fair value of the sales agreement with an increase/(decrease) of the sensitivities.
Interest bearing loans and borrowings	Level 2	Discounted cash flow - The valuation model considers the present value of future expected cashflows discounted at an applicable discount rate. i.e. from zero coupon curves at the end of the reporting period.	Not applicable

29. FINANCIAL INSTRUMENTS (continued)

29.1.1 Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the financial instruments reflected in the fair value hierarchy table above.

(a) Held-to-maturity
- Securities
Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs.

(b) Available-for-sale
- Collective investment
Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs.

(c) Held-for-trading
- Derivatives
The fair values are based on current market movements at year end.

29.2 Financial risk management

Overview

The Group and Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group and Company's management of capital. Further quantitative disclosures are included throughout the Group and Company Financial Statements.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit and Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are Reported to the Audit and Risk Management Committee.

29.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Counterparty risk is the risk that a counterparty is unable to meet its financial and/or contractual obligations during the period of a transaction. Delivery or settlement risk is the risk that a counterparty does not deliver on its contractual commitment on maturity date (including the settlement of money and delivery of securities).

The recoverability of a financial asset which is neither past due nor impaired is assessed, taking into account its financial position, past experience and other factors. The Group believes that the amounts of instruments held at 30 June 2017 are still recoverable.

The carrying amount of financial assets represents the maximum credit exposure. The potential concentration of credit risk consists mainly of loans and receivables, trade and other receivables and the investment portfolio.

29.3.1 Management of credit risk

Financial instruments are managed by the Treasury Section. Processes are in place to identify, measure, monitor, control and report credit risk. The objective of NamPower's credit risk management framework is firstly to protect cash and investments and, secondly to protect and maximise the rate of return of financial market instruments.

Responsibility and governance

The Asset and Liability Committee (ALCO), manages counterparty credit risk which arises from the treasury activities in the financial markets. This Committee is chaired by the Managing Director and reports on a quarterly basis to the Investment Committee. The activities of ALCO are guided by the terms of reference that are updated and approved by the Investment Committee.

The terms of reference set out the minimum acceptable standards to be adhered to by those responsible for credit-related transactions within the Treasury Section. The terms of reference are aligned to the Exco Credit Risk Governance Standards and are supplemented by appropriate policies and procedures.

The ALCO committee:

- Assesses the credit quality of counterparties and types of instruments used;
- Recommends credit limits to the Investment Committee;
- Ensures that transactions with counterparties are supported by trading agreements, where applicable; and
- Approves methodologies used for the management of counterparty exposure.

The management of credit risk is governed by the following policies:
Trading in financial instruments is conducted and entered into with selected counterparties after credit limits have been authorised. Individual risk limits are set based on internal and external ratings in line with limits set by the Board. All credit limits are approved by the Investment Committee. The use of credit limits is regularly monitored.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

29. FINANCIAL INSTRUMENTS (continued)

29.3.1 Management of credit risk (continued)

Minimum credit-rating requirements for financial institutions are maintained to assess the risk categories by rating class and to ascertain the probability of default inherent in each rating class. Approved concentrating risk parameters and collateral management procedures are in place.

Concentration of credit risk is managed by setting credit risk limits at a counterparty-specific level. Concentration credit risk limits are used as second tier limits in relation to counterparty credit limits.

29.4 Exposure to credit risk

The Group limits its counterparty exposures from its loans and receivables, trade and other receivables and investment portfolio by only dealing with individuals and corporate entities of a high quality credit standing. Therefore management does not expect any counterparty to fail to meet its obligations.

The maximum exposure to credit risk at the reporting date was:

		CONSOLIDATED		COMPANY	
		2017 N$'000	2016 N$'000	**2017 N$'000**	2016 N$'000
Current investments	29.1, 11	**3,295,000**	3,185,000	**3,295,000**	3,185,000
Non-current investments	29.1, 11	**1,238,296**	954,713	**1,238,296**	954,713
Loans receivables	29.1, 10	**14,168**	23,658	**14,168**	23,658
Loans from subsidiaries	29.1, 7.1	**-**	-	**3,300**	3,300
Trade and other receivables	29.1, 13	**1,294,097**	1,075,560	**1,294,097**	1,075,560
Cash and cash equivalents	29.1, 14	**1,868,999**	1,707,589	**1,868,999**	1,707,589
Derivative assets	29.1, 21.1	**58,715**	203,235	**58,715**	203,235
		7,769,275	7,149,755	**7,772,575**	7,153,055

29.4.1				
Financial income and expenses				
Recognised in profit or loss				
Net gains and (losses) on financial assets and liabilities through profit or loss				
Realised Swap losses (FVTPL)	**(127,386)**	(94,528)	**(127,386)**	(94,528)
Realised Swap profits (FVTPL)	**40,342**	96,159	**40,342**	96,159
Loss from Swaps currency valuation (FVTPL)	**(40,739)**	(120,745)	**(40,739)**	(120,745)
Gain from Swaps currency valuation (FVTPL)	**127,928**	119,932	**127,928**	119,932
Unrealised foreign exchange gains/(losses) on forward exchange contracts	**10,868**	(19,508)	**10,868**	(19,508)
Realised foreign exchange losses (FVTPL)	**(141,551)**	(152,505)	**(141,551)**	(152,505)
Realised foreign exchange gains (FVTPL)	**64,347**	112,448	**64,347**	112,448
Realised exchange rate (loss)/gain on foreign loans (FVTPL)	**(1,519)**	4,091	**(1,519)**	4,091
Fair value adjustment on embedded derivative-Power Purchases Agreement (Held for trading asset)	**252,680**	(111,800)	**252,680**	(111,800)
Fair value adjustment on embedded derivative-Power Sales Agreement (Held for trading liability)	**(57,476)**	6,911	**(57,476)**	6,911
Unrealised foreign exchange (losses)/gains	**(6,290)**	236,028	**(6,290)**	236,028
Recognised in other comprehensive income				
Net change in fair value of available-for-sale financial asset	**(112)**	151	**(112)**	151

* FVTPL - Fair value through profit or loss

29. FINANCIAL INSTRUMENTS (continued)

29.4.2 Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. As at 30 June 2017 no guarantee was outstanding.

NamPower employee home loans

Suretyship for N$39.0 million (2016: N$37.3 million) to three local banks (Bank Windhoek, First National Bank and Standard Bank) for all employees who are on the NamPower Housing Scheme and have attained financing from the aforementioned financial institutions. Such suretyship is limited to the original loan amount attained by each employee and excludes any additional financing for improvements or upgrades.

29.4.3 Trade and other receivables

(a) Trade receivables

Credit risk with respect to trade and other receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different industries and geographical areas. The main classes of electricity receivables are cross border, large power users and small power users. Key large power users comprise mainly Namibian municipalities, town councils, village councils, Regional councils, mining customers and regional electricity distributors (REDs).

The Audit and Risk Management Committee has established a credit policy under which each electricity customer's payment terms and conditions are offered.

The Group requires a security deposit equivalent to three (3) months' estimated consumption in respect of all new customers before they are energised and the electricity is supplied with an exception to the Regional Distributors whereby they have to provide a security deposit that is equal to one (1) month's estimated consumption.

Electricity supply agreements are entered into with cross-border customers who comprise utility companies of neighbouring countries. These customers are required to provide security deposit equivalent to the value of three months' estimated consumption. Refer note 29.4.4.

The level of security is reviewed when a customer defaults on their payment obligation or requires additional electricity supply capacity in which case they are required to either provide security or increase their existing security to an amount equivalent to three months' of estimated future consumption before supply will commence.

Payment terms vary between customer classes as per the Group's credit policy. Interest is charged at a market related rate on balances in arrears.

The Group has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include an internal collection process, follow up with the customer either telephonically or in person, negotiations of mutually acceptable payment arrangements and the issue of letters of demand and notice of disconnection of supply. Non-payment will result in disconnection of supply. The legal collection process is pursued thereafter.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The decision to impair overdue amounts is assessed on the probability of recovery based on the customer's credit risk profile.

Progress on the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write-off in terms of the NamPower policy and delegation of authority. The process of recovery continues unless it is confirmed that there is no prospect of recovery or the costs of such action will exceed the benefits to be derived. Amounts written off are determined after taking into account the value of the security held.

The total cumulative allowance for impairment for electricity receivables at 30 June 2017 was N$258.5 million (2016: N$255.2 million) (refer note 29.4.4). The enhancement of credit control strategies and monitoring of payment levels of all trade receivables continue to receive management attention.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

29. FINANCIAL INSTRUMENTS (continued)

29.4.3 Trade and other receivables (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic area:

	CONSOLIDATED		COMPANY	
	2017 N$'000 Carrying amount	2016 N$'000 Carrying amount	**2017 N$'000 Carrying amount**	2016 N$'000 Carrying amount
Domestic- Namibia	**891,106**	664,793	**891,106**	664,793
Regional Exports/ Cross border customers	**58,135**	15,617	**58,135**	15,617
	949,241	680,410	**949,241**	680,410

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

Distributors	**536,337**	455,554	**536,337**	455,554
Mining	**164,324**	138,537	**164,324**	138,537
End-user customers	**156,852**	68,111	**156,852**	68,111
Other trade receivables	**91,728**	18,208	**91,728**	18,208
	949,241	680,410	**949,241**	680,410

Concentration of credit risk that arises from the Group's receivables in relation to categories of the customers by percentage of total receivables from customers is:

	%	%	**%**	%
Distributors	**57**	67	**57**	67
Mining	**17**	20	**17**	20
End-user customers	**17**	10	**17**	10
Other trade receivables	**10**	3	**10**	3
	100	100	**100**	100

29. FINANCIAL INSTRUMENTS (continued)

29.4.3 Trade and other receivables (continued)

The aging of trade receivables not impaired at the reporting date for Group and Company are as follows:

	CONSOLIDATED AND COMPANY	
	2017 N$'000 Gross	2016 N$'000 Gross
0-30 days	**742,861**	579,409
Past 30 days	**40,889**	44,528
Past 120 days	**132,373**	4,883
More than one year	**33,118**	51,590
	949,241	680,410

Trade receivables past due but not impaired are receivables where contractual payment terms are past due but the Group believes that impairment is not required based on the historical payment trend of the respective customers and the stage of collection of amounts owed to the Group. The Group believes that unimpaired amounts that are past due are still recoverable.

Included in more than one year trade receivables are capital contributions of N$3.8 million (2016: N$12.4 million) that are only recognised as revenue when all performance obligations have been performed eg. when the customer is energised and the remainder is held as a liability under trade payables.

29.4.4 Impairment losses

	CONSOLIDATED AND COMPANY		CONSOLIDATED AND COMPANY	
	2017 N$'000 Gross	**2017 N$'000 Impairment**	2016 N$'000 Gross	2016 N$'000 Impairment
0-30 days	**948,041**	**711**	896,034	17,644
Past 30 days	**89,101**	**18,364**	95,063	19,349
Past 120 days	**314,868**	**164,677**	63,210	49,652
More than one year	**200,619**	**74,780**	276,480	168,581
	1,552,629	**258,532**	1,330,787	255,226

The above impairment losses are based on individual impairments.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

29. FINANCIAL INSTRUMENTS (continued)

29.4.4 Impairment losses (continued)

The reconciliation of movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	CONSOLIDATED AND COMPANY	
	2017 N$'000	2016 N$'000
Balance 1 July	**255,226**	19,976
- Impairment loss recognised	**4,200**	235,250
- Impairment utilised	**(894)**	-
Balance at 30 June	**258,532**	255,226

NamPower establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance consists of a specific loss component that relates to individual exposures.

An impairment loss of N$12.4 million relates to a customer that was struggling to pay during 2006. The customer arranged for a deferred payment scheme through the court. Due to further financial difficulties the customer suspended the payments through this scheme. The customer was handed over to the lawyers for collection of the outstanding amount.

A further impairement loss of N$236.9 million relates to Rede Nacional De Electricidade (RNT), the Angolan electricity distributor. RNT is struggling to pay as a result of the adverse market conditions in Angola which has affected the Angolan market heavily.

The remainder of the impairment loss at 30 June 2017 is attributable to several customers who have been struggling to pay and who have indicated that they will not be able to pay their outstanding balances. Electricity supply to these customers has been suspended.

There was no indication of impairment of investments at reporting date.

29. FINANCIAL INSTRUMENTS (continued)

29.4.4 Impairment losses (continued)

Security relating to trade receivables

The security held against trade receivables for the Group and Company comprises bank guarantees and cash deposits. The estimate of the fair value of the security is:

	CONSOLIDATED AND COMPANY	
	2017 N$'000	2016 N$'000
(a) Cash deposits		
Electricity receivables security deposit - cash		
Domestic Namibia	**25,136**	19,344
Regional Exports/Cross Border customers	**368**	368
(b) Bank Guarantees		
Domestic- Namibia	**167,237**	158,976
Cross-border customers	**58**	58

29.4.5 Cash and cash equivalents

The Group held cash and cash equivalents of N$1.9 billion at 30 June 2017 (2016: N$1.7 billion). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated for foreign currency long-term as BBB- and national long-term rating AA-(zaf), based on Fitch ratings.

29.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The management of liquidity and funding risk is vested with the treasury section in accordance with practices and limits set by Exco and the Board. The Group's liquidity and funding management process includes:

- Project cash flows and considering the cash required by the Group and optimising the short-term liquidity;
- Monitoring financial liquidity ratios;
- Maintaining a diverse range of funding sources with adequate back-up facilities, managing the concentration and profile of debt maturities; and
- Maintaining liquidity and funding contingency plans.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

29. FINANCIAL INSTRUMENTS (continued)

29.5.1 Contractual Cash Flows

The tables below indicate the contractual undiscounted cash flows of the Group and Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash flows of the Group's and Company's financial liabilities are indicated on a gross undiscounted basis. The cash flows for derivatives are presented as net cash flows.

2017

CONSOLIDATED	Carrying Amount N$ '000	Total Contractual Cash Flows N$ '000	Contractual Cash Flows 1 Year or Less N$ '000	Contractual Cash Flows 1- 5 Years N$ '000	Contractual Cash Flows 5 Years and More N$ '000
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	**(128,174)**	**(131,139)**	**(26,223)**	**(104,916)**	**-**
- EUR floating rate loan	**(77,747)**	**(78,267)**	**(69,217)**	**(9,050)**	**-**
- ZAR denominated loans	**(1,767,788)**	**(2,507,549)**	**(285,492)**	**(1,484,299)**	**(737,758)**
- NAD denominated loans	**(285,519)**	**(355,150)**	**(31,134)**	**(311,844)**	**(12,172)**
Non current retention creditors	**(16,391)**	**(29,432)**	**-**	**(29,432)**	**-**
Trade and other payables	**(795,381)**	**(795,381)**	**(795,380)**	**-**	**-**
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	**-**	**33,972**	**31,414**	**2,558**	**-**

2016

Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(179,852)	(183,893)	(30,645)	(122,534)	(30,714)
- EUR floating rate loan	(162,079)	(163,215)	(77,147)	(86,068)	-
- ZAR denominated loans	(1,990,995)	(2,883,072)	(302,078)	(1,681,799)	(899,195)
- NAD denominated loans	(289,443)	(386,284)	(31,134)	(336,892)	(18,258)
Non-current retention creditors	(10,410)	(18,692)	-	(18,692)	-
Trade and other payables	(723,628)	(723,628)	(723,628)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	-	103,154	39,335	58,195	5,624

29. FINANCIAL INSTRUMENTS (continued)

29.5.1 Contractual Cash Flows (continued)

The tables below indicate the contractual undiscounted cash flows of the Group and Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash flows of the Group's and Company's financial liabilities are indicated on a gross undiscounted basis. The cash flows for derivatives are presented as net cash flows.

2017 **COMPANY**	**Carrying Amount** **N$ '000**	**Total Contractual Cash Flows** **N$ '000**	**Contractual Cash Flows 1 Year or Less** **N$ '000**	**Contractual Cash Flows 1- 5 Years** **N$ '000**	**Contractual Cash Flows 5 Years and More** **N$ '000**
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	**(128,174)**	**(131,139)**	**(26,223)**	**(104,916)**	**-**
- EUR floating rate loan	**(77,747)**	**(78,267)**	**(69,217)**	**(9,050)**	**-**
- ZAR denominated loans	**(1,767,788)**	**(2,507,549)**	**(285,492)**	**(1,484,299)**	**(737,758)**
- NAD denominated loans	**(285,519)**	**(355,150)**	**(31,134)**	**(311,844)**	**(12,172)**
Non-current retention creditors	**(16,391)**	**(29,432)**	**-**	**(29,432)**	**-**
Trade and other payables	**(795,376)**	**(795,376)**	**(795,376)**	**-**	**-**
Loans due to subsidiaries	**(6,388)**	**(6,388)**	**(6,388)**	**-**	**-**
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	**-**	**33,972**	**31,414**	**2,558**	**-**
2016					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(179,852)	(183,893)	(30,645)	(122,534)	(30,714)
- EUR floating rate loan	(162,079)	(163,215)	(77,147)	(86,068)	-
- ZAR denominated loans	(1,990,995)	(2,883,072)	(302,078)	(1,681,799)	(899,195)
- NAD denominated loans	(289,443)	(386,284)	(31,134)	(336,892)	(18,258)
Non-current retention creditors	(10,410)	(18,692)	-	(18,692)	-
Trade and other payables	(723,627)	(723,627)	(723,627)	-	-
Loans due to subsidiaries	(6,384)	(6,384)	(6,384)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	-	103,154	39,335	58,195	5,624

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29. FINANCIAL INSTRUMENTS (continued)

29.5.2 Derivative financial instruments

Derivative financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates and interest rates. Whilst these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

The principal or contract amount of derivative financial instruments were:

	CONSOLIDATED AND COMPANY	
	2017 N$'000	2016 N$'000
Net interest rate and cross currency swaps	**55,679**	142,723
Forward exchange contracts	**383,270**	401,723

For a more detailed breakdown refer to note 21.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

29.5.3 Primary sources of funding and unused facilities

The primary sources to meet NamPower's liquidity requirements are revenue, cash inflows from maturing financial assets purchased, funds committed by government, local debt issued in the market as well as foreign debt. To supplement these liquidity sources under stress conditions, overdraft facilities with commercial banks are in place as indicated below:

	2017	2016
General banking facilities	**363,500**	363,500

The overdraft facilities, if utilised are repayable strictly on demand and will be charged at the prevailing bank's prime lending rate from time to time. The prime lending rate of the commercial banks at 30 June 2017 was 10.75%.

29. FINANCIAL INSTRUMENTS (continued)

29.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

A significant part of the market risk encountered arises from financial instruments that are managed within the treasury function of the Company or from contracts containing embedded derivatives.

Financial instruments managed by the treasury function

The treasury section is responsible for managing market risk within the risk management framework approved by Exco and the Board. The overall authority for the management of market risks within the treasury section is vested in the Asset and Liability Committee (ALCO) which Reports quarterly to the Investment committee and the Audit and Risk Management Committee.

Embedded derivatives

NamPower entered into a number of agreements for the purchase and supply of electricity, where the revenue or expenditure from these contracts is based on foreign currency rates (mainly USD) or foreign production price indices. This gives rise to embedded derivatives that require separation as a result of the different characteristics of the embedded derivative and the host contract. The contractual periods vary from 3 years up to a maximum of 10 years. Certain of these contracts are currently being renegotiated.

The net impact on profit or loss of changes in the fair value of the embedded derivatives for the Group and Company is a fair value gain of N$195.2 million (2016: N$104.9 million loss). At 30 June 2017 the embedded derivative asset amounted to N$319 thousand (2016: N$57.8 million) for the Group and Company. The embedded derivative liability at 30 June 2017 was N$128.3 million (2016: N$381.0 million) for the Group and Company.

The valuation methods and inputs are discussed in note 29.6. Risks arising from these contracts are discussed under the relevant risk areas as follows:

- interest rate risk (refer note 29.6.1)
- currency risk (refer note 29.6.2)
- other price risk (refer note 29.6.3)

Electricity purchases and sales contracts that contain embedded derivatives are considered for economic hedging. Economic hedging in respect of foreign currency exposure resulting from these embedded derivatives takes place on a short-term basis.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

29. FINANCIAL INSTRUMENTS (continued)

29.6.1 Interest rate risk

Interest rate risk is the risk that the Group's financial position may be adversely affected as a result of changes in interest rate levels, yield curves and spreads.

The Group's interest rate risk arises mainly from long-term borrowings. Long-term borrowings and debt securities are issued at both fixed rates and floating rates and expose the Group to fair value interest rate risk.

The Group generally adopts a policy that its exposure to interest rates is on a fixed rate basis. Swaps have been used to convert the interest on floating rates to a fixed rate basis.

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is hedged economically. This is achieved by entering into interest rate swaps.

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	CONSOLIDATED		COMPANY	
	2017 N$ '000 Carrying Amount	2016 N$ '000 Carrying Amount	**2017 N$ '000 Carrying Amount**	2016 N$ '000 Carrying Amount
Variable rate financial instruments				
Financial assets	**-**	-	**-**	-
Financial liabilities	**(35,519)**	(39,443)	**(35,519)**	(39,443)
	(35,519)	(39,443)	**(35,519)**	(39,443)
Fixed rate financial instruments				
Financial assets	**7,733,636**	6,969,596	**7,742,880**	6,978,840
Financial liabilities	**(2,931,368)**	(4,002,005)	**(2,937,751)**	(4,008,389)
	4,802,268	2,967,591	**4,805,129**	2,970,451

Cash flow sensitivity analysis

The Group analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined interest rate shifts. For each simulation, the same interest rate shift is used for all currencies.

The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The calculation excludes borrowing costs capitalised in terms of the Group's accounting policy. The analysis is performed on the same basis as for 2016.

29. FINANCIAL INSTRUMENTS (continued)

29.6.1 Interest rate risk (continued)

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below:

CONSOLIDATED AND COMPANY	Equity 100 bp increase	Equity 100 bp decrease	Profit or (loss) 100 bp increase	Profit or (loss) 100 bp decrease
30 June 2017				
Variable rate instruments				
Interest rate swap				
- DBN				
NAD Curve	**(238)**	**238**	**(355)**	**355**
30 June 2016				
Variable rate instruments				
Interest rate swap				
- DBN				
NAD Curve	(264)	264	(394)	394

29.6.2 Currency risk

The Company is exposed to currency risk as a result of the following transactions which are denominated in a currency other than Namibian Dollars as a result of: purchases of equipment, consulting fees and borrowings. The currencies which primarily give rise to currency risk are GBP, USD, EURO and SEK.

The loans denominated in foreign currency have been fully hedged using currency swaps that mature on the same date as the loans are due for repayment.

With respect to all other transactions denominated in currencies other than the Namibian Dollars and/or the South African Rand, the Company generally adopts a policy to hedge its foreign currency commitments where possible. The Company is also exposed to foreign currency movements with regards to certain regional Power Purchase Agreements (PPAs) and Power Sales Agreements (PSA) which are hedged for the duration of the agreement and reviewed on a continuous basis.

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting can be applied are recognised in profit or loss.

Due to the fact that no hedge effectiveness test is performed all fair value movements on the currency and interest rate swaps are recognised in profit or loss as part of net financing costs.

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for the year ended 30 June 2017

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

CONSOLIDATED

The currency position at 30 June 2017 is set below in thousands of Namibian Dollar

	N$	ZAR	US$	Euro	GBP	Total
Assets						
Other financial assets	58,715	-	-	-	-	58,715
Loans receivable	14,168	-	-	-	-	14,168
Trade and other receivables	1,050,481	-	272,172	-	-	1,322,653
Investments	5,357,548	308,144	-	-	-	5,665,692
Cash and cash equivalents	303,983	1,449,083	115,866	37	30	1,868,999
	6,784,895	1,757,227	388,038	37	30	8,930,227
Liabilities						
Interest bearing loans and borrowings	(285,519)	(1,767,789)	-	(77,747)	(128,174)	(2,259,229)
Other financial liabilities	-	-	(131,294)	33	-	(131,261)
Trade and other payables	(562,550)	(241,941)	(63,628)	503	-	(867,616)
Non current retention creditors	(25,329)	-	-	(4,103)	-	(29,432)
	(873,398)	(2,009,730)	(194,922)	(81,314)	128,174)	(3,305,538)
Gross statement of financial position exposure	5,911,497	(252,503)	193,116	(81,277)	(128,144)	5,642,689
Next year's forecast sales	6,520,174	-	-	-	-	6,520,174
Next year's forecast purchases	(245,476)	(1,973,692)	(1,238,507)	-	-	(3,457,675)
Gross exposure	12,186,195	(2,226,195)	(1,045,391)	(81,277)	(128,144)	8,705,188
Foreign exchange contracts	-	-	(2,952)	33	-	(2,919)
Net exposure	12,186,195	(2,226,195)	(1,048,343)	(81,244)	(128,144)	8,702,269

The estimated sales and purchases include transactions for the next 12 months.

Currency translation rates :	**30 June 2017**
1 SA Rand	N$1.0
1 US Dollar	N$13.1
1 Euro	N$14.9
1 GBP	N$17.0

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

CONSOLIDATED

The currency position at 30 June 2016 is set below in thousands of Namibian Dollar

	N$	ZAR	US$	Euro	GBP	Total
Assets						
Other financial assets	142,723	-	58,443	2,069	-	203,235
Loans receivable	23,658	-	-	-	-	23,658
Trade and other receivables	853,928	-	259,123	-	-	1,113,051
Investments	4,151,983	965,280	-	-	-	5,117,263
Cash and cash equivalents	146,274	1,383,818	176,903	544	50	1,707,589
	5,318,567	2,349,097	494,469	2,613	50	8,164,796
Liabilities						
Interest bearing loans and borrowings	(289,443)	(1,990,996)	-	(162,079)	(179,852)	(2,622,370)
Other financial liabilities	-	-	(394,681)	(53)	-	(394,734)
Trade and other payables	(340,089)	(335,475)	(113,421)	(693)	-	(789,678)
Non current retention creditors	(9,319)	689	-	(10,062)	-	(18,692)
	(638,852)	(2,325,782)	(508,102)	(172,887)	(179,852)	(3,825,474)
Gross statement of financial position exposure	4,679,714	23,315	(13,633)	(170,274)	(179,802)	4,339,322
Next year's forecast sales	5,712,984	-	-	-	-	5,712,984
Next year's forecast purchases	(17,444)	(2,055,843)	(1,414,399)	-	-	(3,487,686)
Gross exposure	10,375,255	(2,032,528)	(1,428,033)	(170,274)	(179,802)	6,564,620
Foreign exchange contracts	-	-	(13,660)	(53)	-	(13,713)
Net exposure	10,375,255	(2,032,528)	(1,441,692)	(170,327)	(179,802)	6,550,907

The estimated sales and purchases include transactions for the next 12 months.

Currency translation rates :	**30 June 2016**
1 SA Rand	N$1.0
1 US Dollar	N$14.8
1 Euro	N$16.4
1 GBP	N$19.9

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for the year ended 30 June 2017

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

COMPANY

The currency position at 30 June 2017 is set below in thousands of Namibian Dollar

	N$	ZAR	US$	Euro	GBP	Total
Assets						
Other financial assets	58,715	-	-	-	-	58,715
Loans receivable	14,168	-	-	-	-	14,168
Trade and other receivables	1,050,481	-	272,172	-	-	1,322,653
Investments	5,357,548	308,144	-	-	-	5,665,692
Cash and cash equivalents	303,983	1,449,083	115,866	37	30	1,868,999
	6,784,895	1,757,227	388,038	37	30	8,930,227
Liabilities						
Interest bearing loans and borrowings	(285,519)	(1,767,789)	-	(77,747)	(128,174)	(2,259,229)
Other financial liabilities	-	-	(131,294)	33	-	(131,261)
Trade and other payables	(562,545)	(241,941)	(63,628)	503	-	(867,611)
Non current retention creditors	(25,329)	-	-	(4,103)	-	(29,432)
	(873,393)	(2,009,730)	(194,922)	(81,314)	(128,174)	(3,287,533)
Gross statement of financial position exposure	5,911,502	(252,503)	193,116	(81,277)	(128,144)	5,642,694
Next year's forecast sales	6,520,174	-	-	-	-	6,520,174
Next year's forecast purchases	(245,476)	(1,973,692)	(1,238,507)	-	-	(3,457,675)
Gross exposure	12,186,200	(2,226,195)	(1,045,391)	(81,277)	(128,144)	8,705,193
Foreign exchange contracts	-	-	(2,952)	33	-	(2,918)
Net exposure	12,186,200	(2,226,195)	(1,048,343)	(81,244)	(128,144)	8,702,275

The estimated sales and purchases include transactions for the next 12 months.

Currency translation rates :	**30 June 2017**
1 SA Rand	N$1.0
1 US Dollar	N$13.1
1 Euro	N$14.9
1 GBP	N$17.0

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

COMPANY

The currency position at 30 June 2016 is set belowin thousands of Namibia Dollar

	N$	ZAR	US$	Euro	GBP	Total
Assets						
Other financial assets	142,723	-	58,443	2,069	-	203,235
Loans receivable	23,658	-	-	-	-	23,658
Trade and other receivables	853,928	-	259,123	-	-	1,113,051
Investments	4,151,983	965,280	-	-	-	5,117,263
Cash and cash equivalents	146,274	1,383,818	176,903	544	50	1,707,589
	5,318,567	2,349,097	494,469	2,613	50	8,164,796
Liabilities						
Interest bearing loans and borrowings	(289,443)	(1,990,996)	-	(162,079)	(179,852)	(2,622,370)
Other financial liabilities	-	-	(394,681)	(53)	-	(394,734)
Trade payables and other payables	(340,089)	(335,475)	(113,421)	(693)	-	(789,676)
Non current retention creditors	(9,319)	689	-	(10,062)	-	(18,692)
	(638,851)	(2,325,782)	(508,102)	(172,887)	(179,852)	(3,825,473)
Gross statement of financial position exposure	4,679,715	23,315	(13,633)	(170,274)	(179,802)	4,339,323
Next year's forecast sales	5,712,984	-	-	-	-	5,712,984
Next year's forecast purchases	(17,444)	(2,055,843)	(1,414,399)	-	-	(3,487,686)
Gross exposure	10,375,256	(2,032,528)	(1,428,033)	(170,274)	(179,802)	6,564,621
Foreign exchange contracts	-	-	(13,660)	(53)	-	(13,712)
Net exposure	10,375,256	(2,032,528)	(1,441,692)	(170,327)	(179,802)	6,550,909

The estimated sales and purchases include transactions for the next 12 months.

Currency translation rates :	**30 June 2016**
1 SA Rand	N$1.0
1 US Dollar	N$14.8
1 Euro	N$16.4
1 GBP	N$19.9

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29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

Sensitivity analysis

A strengthening of the N$ against the following currencies at 30 June would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2016.

	CONSOLIDATED AND COMPANY		CONSOLIDATED AND COMPANY	
	2017 Equity N$'000	2016 Equity N$'000	**2017 Profit or (Loss) N$'000**	2016 Profit or (Loss) N$'000
US Dollar (10 percent strengthening)	**69,468**	87,524	**103,684**	130,633
Euro (10 percent strengthening)	**(5,442)**	(11,871)	**(8,123)**	(17,718)
GBP (10 percent strengthening)	**(8,586)**	(12,047)	**(12,815)**	(17,980)

A weakening of the N$ against the following currencies at 30 June would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

	CONSOLIDATED AND COMPANY		CONSOLIDATED AND COMPANY	
	2017 Equity N$'000	2016 Equity N$'000	**2017 Profit or (Loss) N$'000**	2016 Profit or (Loss) N$'000
US Dollar (10 percent weakening)	**(69,468)**	(87,524)	**(103,684)**	(130,633)
Euro (10 percent weakening)	**5,442**	11,871	**8,123**	17,718
GBP (10 percent weakening)	**8,586**	12,047	**12,815**	17,980

29. FINANCIAL INSTRUMENTS (continued)

29.6.3 Other price risk

Inflation price risk arises from embedded derivatives as discussed under note 29.8. The risk arises from movements in the United States production price index (PPI). Equity price risk arises from available-for-sale financial instruments. The risk arises from movements in the share price of the equity investment.

The following is the sensitivity analysis of the change in the value of the embedded derivatives (relating to customised pricing agreements) as a result of changes in the United States PPI. This analysis has been performed on the same basis as the prior year. The analysis assumes that all other variables remain constant and the possible impact on equity and on profit or loss is:

	CONSOLIDATED AND COMPANY		CONSOLIDATED AND COMPANY	
	2017 Equity N$'000	2016 Equity N$'000	**2017 Profit or (Loss) N$'000**	2016 Profit or (Loss) N$'000
United States PPI				
1% increase	**(6,061)**	(12,601)	**(9,046)**	(18,807)
1% decrease	**6,015**	12,420	**8,977**	18,537

29.7 Capital management

Nampower manages the total shareholders' equity and debt as capital. Capital consists of ordinary share capital, development fund reserve and longterm debt. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividends to ordinary shareholders.

The Group manages the following as capital:				
Ordinary share capital	**1,065,000**	1,065,000	**1,065,000**	1,065,000
Development fund reserve	**5,068,310**	3,715,295	**4,891,672**	3,539,800
Long-term debt	**2,259,229**	2,622,370	**2,259,229**	2,622,370
	8,392,539	7,402,665	**8,215,901**	7,227,170

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for the year ended 30 June 2017

29. FINANCIAL INSTRUMENTS (continued)

29.7 Capital management (continued)

The major items that impact the capital of Nampower include:

- The revenue received from electricity sales (which is a function of price and sales volumes and the cost of funding the business;
- The cost of operating the electricity business;
- The cost of expanding the business to ensure that capacity growth is in line with electricity sales demand (funding and additional depreciation);
- Interest paid;
- Taxation; and
- Dividends.

The Board has the responsibility to ensure that the Company is adequately capitalised through debt and equity management.

NamPower Treasury is tasked with the duties of managing the Company's short-term and long-term capital requirements. The Treasury Department fulfils these functions within the framework that has been approved by the NamPower Board of Directors consisting of and not limited to an overall treasury policy, a hedging policy and investment policy.

Under NamPower's current debt portfolio consisting of local and foreign denominated loans, certain covenants are imposed on NamPower's capital requirements. These covenants being a minimum debt service cover ratio of 1.4, debt to EBITDA of a maximum of 4 and a maximum debt equity ratio of 65:35. The Company maintained the required covenants for the year under review as follows: debt service cover ratio of 5.34 (2016: 2.78), debt to EBITDA of -3.09 (2016: -17.21) and a debt equity ratio of 10:90 (2016: 12:88). These covenants are used for forecasted financial planning to ensure and manage the loan conditions set. Fitch Ratings has downgraded the Company's foreign currency long-term ratings from BBB- to BB+ and the national long-term rating from AAA(zaf) to AA+(zaf). The Outlooks are stable.

The tariff increases for the electricity business is subject to the process laid down by the Electricity Control Board (ECB). The current regulatory framework applicable to Nampower is based on historical cost and depreciated replacement cost for Generation and Transmission assets respectively.

The electricity business is currently in a major expansion phase. There is national consensus that the capital expansion programme continues. The funding related to new generating, transmitting and other capacity is envisaged to be obtained from cash generated by the business, shareholder support and funds borrowed on the local and overseas markets. The adequacy of price increases allowed by the regulator and the level and timing of shareholder support are key factors in the sustainability of NamPower.

There were no changes to NamPower's approach to capital management during the financial year.

29. FINANCIAL INSTRUMENTS (continued)

29.8 Critical accounting estimates and judgements

Estimates and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Embedded derivatives

NamPower has entered into a number of agreements to supply and purchase electricity to electricity-intensive industries where the revenue from these contracts is linked to foreign currency rates (only USD) and United State's production price indices that give rise to embedded derivatives.

The embedded derivatives have been divided into three categories:

- Commodity and/or foreign currency derivatives;
- Foreign currency or interest rate derivatives;
- Production price and foreign currency derivatives.

Valuation

The fair value of embedded derivatives is determined by using a forward electricity price curve.

Valuation assumptions

The contracted electricity price used to value embedded derivatives is based on a combination of factors in the table below over the contracted period.

Forecast sales volumes are based on the most likely future sales volumes which have been back-tested against historic volumes.

The fair value of embedded derivatives takes into account the inherent uncertainty relating to the future cash flows of embedded derivatives, such as liquidity, model risk and other economic factors.

The following valuation assumptions for the future electricity price curve discussed above for the valuation of embedded derivatives were used and are regarded as the best estimates by the Board:

	Year ended 30 June 2017					
Input	**Unit**	**2017**	**2018**	**2019**	**2020**	**2021**
NAD/USD	USD per NAD	13.13	13.93	14.79	15.44	16.32
ZAR discount factor		0.99	0.92	0.85	0.80	0.74
United States PPI	Year-on-year (%)	0.12%	0.24%	0.29%	0.55%	0.66%

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30. PRIOR PERIOD ERROR

An adjustment was made in respect of accounting for income received from customers in the form of assets transfered to the Group. The Group recognised assets transferred by customers as an item of property, plant and equipment in accordance with IAS 16 - Property, Plant and Equipment, at the fair value of the asset transferred on the date of transfer. The fair value of the asset transferred was initially recognised as deferred revenue and was recognised as income in profit or loss over the useful life of the asset transferred. In terms of IFRIC 18 - Transfers of Assets from Customers, the fair value of the asset transferred must be recognised immediately in revenue since there are no continuing obligations by the Group to the customers associated to the asset transferred.

The correction of the error results in adjustments are as follows:

30.1 Statements of financial position

	CONSOLIDATED		COMPANY	
	2016 N$'000	2015 N$'000	2016 N$'000	2015 N$'000
Non-current liabilities				
Deferred revenue liabilities - as previously reported	(639,203)	(661,351)	(639,203)	(661,351)
Prior period error	401,486	411,743	401,486	411,743
Reclassification - transfers of assets from customers (note 30.3)	(922,093)	(803,760)	(922,093)	(803,760)
Deferred revenue liabilities - restated	(1,159,810)	(1,053,368)	(1,159,810)	(1,053,368)
Current liabilities				
Deferred revenue liabilities - as previously reported	(149,308)	(167,201)	(149,308)	(167,201)
Prior period error	10,226	10,226	10,226	10,226
Deferred revenue liabilities - restated	(139,082)	(156,975)	(139,082)	(156,975)

30.2 Statements of profit or loss and other comprehensive income

Decrease in amortisation of deferred income	(10,257)	-	(10,257)	-
Increase in loss	(10,257)	-	(10,257)	-

30.3 Statements of changes in equity

Development Fund - as previously reported	3,715,295	4,048,062	3,539,800	3,904,159
Prior period error	411,712	421,970	411,712	421,970
Development Fund - restated	4,127,007	4,470,032	3,951,512	4,326,129

30.4 Reclassification - Transfers of assets from customers

A capital contribution is payable by the customer to the Group on signing of the Power Supply Agreement (PSA) for the customer's connection to the Group's grid, if it is a new customer, or for an upgrade to an existing point of connection. The customer pays the Group an amount as stated in the PSA as a contribution towards the capital costs to be incurred to make the power supply available to the customer. Capital costs are paid according to the project progress payment schedule in the PSA.

The Group accounted for capital contribution received as part of trade payables. During the current year under review, the amount for capital contribution was reclassified to deferred revenue liabilities until the construction of the asset is completed upon which the deferred revenue liabilities will be recognised in revenue in accordance with IFRIC 18.

31. SEGMENT REPORTING

Business unit segments

Reportable segments are determined based on the internal management reports provided quarterly to the Executive Committee (EXCO). The Group has three reportable segments, as described below, which are the Group's core business units. The core business units offer different services, and are managed separately because they require different expertise and marketing strategies. For each of the strategic business units, the Executive Committee (EXCO) reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

Generation: Supply of energy
Transmission: Transmission of energy
Other Support Services, including Energy Trading: Short, medium and long term planning and management of energy and Power Systems Development responsible for development of supply sources of energy

Support services includes Distribution of energy, Corporate Services, Finance and the Office of the Managing Director.

31.1 Information about reportable business units

	Generation		Transmission		Other		Total	
Amounts in N$'000	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Total revenues	**683,471**	595,281	**3,295,297**	3,122,073	**7,433,118**	8,613,788	**11,411,886**	12,331,142
Intersegment revenue	**(683,471)**	(595,281)	**(1,874,386)**	(1,384,849)	**(3,048,180)**	(5,345,021)	**(5,606,037)**	(7,325,150)
Total Segment revenue	**-**	-	**1,420,911**	1,737,224	**4,384,938**	3,268,767	**5,805,849**	5,005,992
Interest Income	**-**	-	**63,714**	34,457	**609,726**	507,514	**673,440**	541,971
Interest expense	**(38,943)**	(41,551)	**(148,920)**	(149,752)	**(27,230)**	(41,911)	**(215,093)**	(233,213)
Depreciation & amortisation	**(313,741)**	(289,915)	**(428,171)**	(395,241)	**(47,441)**	(49,907)	**(789,352)**	(735,063)
Staff costs	**(149,432)**	(144,028)	**(242,399)**	(188,947)	**(277,722)**	(275,357)	**(669,553)**	(608,332)
Post retirement medical benefit	**(6,393)**	(7,102)	**(11,469)**	(11,433)	**(12,166)**	(10,335)	**(30,028)**	(28,870)
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	**-**	-	**-**	-	**188,231**	461,896	**188,231**	461,896
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	**-**	-	**-**	-	**(142,458)**	(317,863)	**(142,458)**	(317,863)
Segment result (before tax)	**651,362**	599,555	**(4,025,197)**	(3,465,147)	**4,755,244**	2,350,243	**1,381,409**	(515,349)
Other material non-cash items:								
Impairment on property, plant and equipment	**-**	(6,776)	**-**	(339,502)	**-**	(32,003)	**-**	(378,281)

31.2 Geographical information on the Group's revenue from customers by geographical area are disclosed in note 29.4.3.

31.3 Information about major customers

Included in total segment revenue arising from the sale of electricity, extension charges, STEM sales and contribution by customers of N$5.8 billion (2016: N$5.0 billion) (see note 31.1 above) are revenues of approximately N$2.6 billion (2016: N$2.3 billion) which arose from electricity sales to the Group's three largest customers. No other single customers contributed 10% or more to the Group's revenue for both 2017 and 2016 financial years.

SUPPLEMENTARY INFORMATION

ADMINISTRATION

Company Secretary

Mrs. S. Mavulu
NamPower Centre
15 Luther Street
PO Box 2864
Windhoek
Namibia

Registered address

Namibia Power Corporation (Proprietary) Limited
(Reg no 2051)
NamPower Centre
15 Luther Street
PO Box 2864
Windhoek
Namibia

Auditor

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Deloitte Building
Maerua Mall Complex
Jan Jonker Road
PO Box 47
Windhoek
Namibia

ICAN practice number: 358

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www.nampower.com.na